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FINANCIAL TIMES

Monday March 23 1992

EUROPE'S BUSINESS NEWSPAPER

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Albania poll may end communists' grip on power

Albanians, jarred by their first troubled year of multi-party democracy, voted calmly in elections that could end communism's 48-year-grip on power.
Turnout was high in the capital, Tirana, But many voters delayed their arrival at polling stations until they had queued for bread distributed by the army - a daily necessity in the chaos that followed last year's poll. Page 18

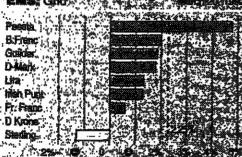
China aborts satellite launch China was forced to postpone the launch of an Australian telecommunications satellite after its Long March-3 rocket failed to blast off. The satelitie industry could now face delays and higher fees for launches and insurance. Page 18

Fifteen die in Turkish clashes Fifteen people were killed in clashes between security forces and marchers in south-east Turkey where Kurdish rebels marked their new year with demands for an independent state. About 45 people died in a weekend of violence.

Brazil sacks 'green' minister: Brazil's President Fernando Collor sacked environment minister Jose Lutzenberger, one of the world's leading defenders of the Amazon rainforest, just two months before Brazil hosts a UN environment conference. Page 2

Flerce clashes in Creatia: Creats and Serbs fought fierce artillery duels near the eastern town of Osijek as more UN peacekeeping troops arrived to take up their positions. Page 3

European Monetary System: Sterling remained the weakest currency in the EMS, spending the week close to its effective floor again the top-placed peseta. Some buying interest at that level underpinned sterling without the need for Bank of England intervention. The D-Mark strengthened within the EMS, despite falling against the dollar. Currencies, Page 29



The chart shows the member currences of the exchange rate mechanism measured against the weakest currency in the EMS's narroto 2.25 per cent fluctuation band. In practice, currencles in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the sustem. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

BA checks Concorde fleet: British Airways checked its fleet of seven Concordes after one of the supersonic jets landed in New York with a big chunk of its rudder missing, the third such

China's deficit sours: China budget deficit ballooned to record levels last year, putting severe financial limits on the country's capacity to fund the rapid economic development urged by elder statesman Deng Xiaoping, Page 5

Hong Kong watchdog cislef quits: Robert Owen, chairman of Hong Kong's stock market watchdog, the Securities and Futures Commission. is to resign after overseeing three years of wideranging reforms. Page 6

That poli strengthens army grice Politicians sympathetic to the army won about half the seats in the lower house of parliament in Thailand's general election, a qualified victory. Page 5

South Africa to execute 17: South Africa announced its first executions for two years amid a barrage of protests from anti-apartheid groups and human rights lawyers. The Justice Ministry said 17 criminals would be hanged "in due course."

Pakistan cancels bonds: Pakistan's central bank has cancelled plans to sell bearer bonds in the US and is deferring their sale in other countries after fears that the bonds could be used to launder drugs money. Page 17

EC threat to City success: The biggest threat to London's status as a leading financial centre comes from ill-conceived regulation, especially EC directives, says a City study. Page 17

EC split on defence: European Community industry ministers failed to agree on a policy towards the defence industry, which is suffering from over-capacity. Page 4

Pension fund challenge: The largest public pension fund in the US has told 10 big corporations it will vote against the re-election of directors if they do not pay more attention to shareholders'

Jaguar chief retires: Bill Hayden, chairman and chief executive of Jaguar, the lossmaking subsidiary of Ford, is to retire at the end of the month. He will be replaced by Nick Scheele, Jaguar vice-chairman. Page 10

Lisbon party names leader: Manuel Monteiro, 29, was voted leader of Portugal's rightwing Christian Democrat party, succeeding Diogo

England win semi-final: England won their World Cop cricket semifinal against South Africa by 19 runs after rain interrupted the match. South Africa were left to score 21 runs off one ball. England 251-6 (45 overs). South Africa 282-6 (43).

Bahrain Din 1.000 Seiglum BF/60 Cyprus C51.00 Cxech Kcs55 Dermark DK/14 Egypt B24.00 Finland FM/10 France FF/6.00	indla Ra20 indoossia Rp2800 tsraal Shi5.50 laiy 1,2500 Jordan JD1,20 Korea Won 2500 Letanon 1,51,250	Morocco MOh11 Neth F 3-50 Norway Nkr15:00 Oman OR1.20 Pakisten Russ Politopines Pav45 Potand Z 18,000 Portugal E 1800 Geter OR10:00	Swiden SK/14 Switz SF/3,40 Realiand Bh50 Tunisia Dim1,000 Tunisy L6000 UAE Db9,00

FINANCIAL TIMES 9 No 31,716 Week No 13

Exit polls show party is likely to secure less than 19% of the vote | Why the

Election humiliation for French **Socialists**

FRANCE'S ruling Socialists suffered a humiliating defeat in yesterday's regional elections, losing well over one third of their popular support compared with

the general elections of 1988. The party appeared likely to have secured less than 19 per cent of the vote, according to exit polls, compared with 30 per cent in the previous regional elections of 1986 and 36 per cent in the last general elections of 1989.

The vote is expected to be a turning point for the government, since it vividly confirms the record-breaking slide in the popularity of Mrs Edith Cresson, the prime minister, since she was appointed in May. However, the overall message

of the vote was not just a swingeing setback for the Socialists, but a sweeping rejection of all the traditional parties of govern-

As expected, the main innova-tion of the election was a double breakthrough by two protest groups, the extreme rightwing National Front and the ecology movements. The National Front

scored an estimated 14 per cent of the national vote, well ahead of its share in any previous national election. The two ecological parties, the Greens and Génération Ecologie, together scored around 13-14 per cent.

The traditional conservative

parties, the centre-right UDF umbrella grouping, and the Gaullist RPR party, together came out well ahead of the Socialists, with an estimated 34 per cent of the national vote. However, this was significantly down on their score in the 1988

general elections (nearly 38 per cent) or the 1986 regional elections (nearly 40 per cent). Their failure to gain any votes from the discredited Socialists is a serious psychological setback. It will also make it more difficult for them to maintain their controlling position in certain regions.

The massive disavowal of the

Socialist party, and the accompanying setback for the conservatives, were magnified by an unexpectedly high voting rate of around 66 per cent. Before the vote Socialist party officials had been discounting the significance of their expected setback on the



French premier Edith Cresson voting in the central town of Chatellerault where she is mayor

grounds that the opinion polls were pointing to a very high abstention rate approaching 50 per cent, which would have favoured protest votes.

In national terms the Socialists' defeat is mainly indirect, since the direct significance of the elections is confined to France's 22 regional councils. Since the decentralisation policy of 1982, these have received extra

local policy, notably the building of secondary schools and profes-

sional training. Nevertheless, it will be difficult for President François Mitterrand to ignore the result, and many commentators have predicted that he will feel obliged to

change his prime minister or even the entire government. The traditional conservative parties controlled 19 of the 22

council, and they have done considerably better than the Socialists in yesterday's elections. But the breakthrough by the protest parties may make it much more difficult for them to mobilise new

The central dilemma before each of the Regional Councils elects its president on Friday is whether to do a deal with the

governing majorities.

which the treaty would be a cen-

tral part, is due to come before

the next session of the Russian

Tatarstan vote poses threat to Yeltsin

By John Lloyd in Moscow

PRESIDENT Boris Yelisin faces a challenge to the preservation of his vast Russian Federation folthe weekend vote for self-rule by the oil-rich autonomous republic of Tatarstan.

The 61.4 per cent majority for self-rule in Saturday's vote was decisive enough to seriously embarrass the Russian govern-ment, especially Mr Yeltsin, who warned last week that the vote was "aimed at isolation from Russia", and constituted a dan-

Russian reforms. Mr Mintimer Shamiyev, the Tatar president, has denied that the aim of the republic is to break away from Russia. However, Tatarstan is now likely to nomic and legislative autonomy than the Russian government can allow if it is not to set an

awkward precedent The vote came the day after the summit of leaders of the Commonwealth of Independent States (CIS) in Kiev, which ended in acrimony and underlined the weakness of links now holding gerous step that would delay the members of the former Soviet

A banker said the sudden need

for new UK money showed why O&Y needs to restructure its

worldwide borrowings, estimated

at considerably more than £5bn

and provided by 70 banks.
An adviser to O&Y said: "The

restructuring discussions are

expected to proceed quickly." A meeting of the group's banks is

likely to take place in the coming fortnight, probably in Toronto.

O&Y is expected to appoint JP

Morgan, the US bank, to advise it on the debt reorganisation.

The property company will give details soon of other new

bank facilities, totalling C\$380m, (\$320m) to replace commercial

paper, or short-term securities. It

has been forced to retire the com-

mercial paper, as investors have become reluctant to invest in it.

A banker said yesterday that in

any restructuring of the world-

wide borrowings, O&Y would

probably be given sufficient funds to finish the Canary Wharf

buildings already begun. "If I

have my way, they would have to

shelve everything else," he said. It has also emerged that Mr Pen Kent, a Bank director, fun-

nelled information from O&Y and

the Canadian central bank to

Canary Wharf lenders.

Republics face mounting crisis of cohesionPage 15

facing Mr Yeltsin in handling the republic's demands were underscored by the 37.2 per cent vote against self-rule, reflecting the influence of the local Russian population. Russians account for 42 per cent of the inhabitants and in Kazan, the capital, which has a Russian majority, the "no" vote

was 51 per cent. Mr Yeltsin's press office said

esterday that the signing of a federative treaty between Moscow and 18 of the 20 autonomous republics had been postponed until March 31 because of

It was due to be concluded with a ceremony on Wednesday. But both Tatarstan and the Chechen republic - which has already declared independence - have refused to sign it, while the par-liaments of the other republics have either still to approve it or have approved it only with amendments to be negotiated.

Congress of Peoples' Deputies starting on April 6. Many voices in that Congress and in the Rus sian leadership will seek strong measures against Tatarstan because of the threat its decision poses to the new Russian state. The republic of 4.5m people

also has big aircraft plants and the world's biggest truck complex, the Kamaz plant on the Kama River. The Russian constitution, of

Fault-lines spreed, Page 15

Financial Times has a new look

THE CHANGES to section one of the Financial Times today represent the latest in a series of design modifications aimed at improving the appearance and usefulness of the newspaper.

In order to increase typographical clarity, we have increased the space between lines of text

throughout the newspaper. We have also switched from an eight to a seven column grid on the front page, the back page of section one and on certain features pages. This will help us to display features and news reports more attractively. Compensating changes have meant that these improvements will not involve any loss of words.

The world news and business news summaries on the front page have been replaced by a single column summarising all prime news items of interest to FT readers. This column will continue to offer busy readers a two-minute world news briefing. We have also sought to improve the signposting of various elements in the paper and to increase the orderliness of its five basic sections: international news, UK news, features, company news and market news.

In the coming months, this will enable us to add new features and to extend the statistical services of the newspaper.

We have tried to minimise changes to positions of regular items. From today, however, an expanded appointments column will appear in section one of the paper rather than on the back page of section two. It has been renamed People and can be found today on page 14. All the other changes are aimed at improving the appearance and readability of the newspaper. A second phase in the rede-

sign, mainly affecting section two, will appear in the autumn. Readers dislike changes in their daily newspaper, and we have deliberately limited our redesign to the minimum necessary to achieve the goals of greater clarity and orderliness. All the same, it will take a little time to get used to the new look

 especially the summary column on the front page, which is one of the newspaper's best read and most valued features. Our belief is that the benefits of the changes will become increasingly apparent in the coming months. We hope you will agree.

Richard Lambert

Olympia & York **Tories enlist** banks grant \$87m emergency facility

By Robert Peston in London and day. "But the cash ran out." Alan Friedman in New York

OLYMPIA & York, the Canadian property company, has been granted £50m (\$87m) of emergency bank facilities to enable work to continue on Canary Wharf in the London Docklands, which is Europe's biggest ever development of new offices. A consortium of banks, includ-

ing Barclays and Lloyds of the UK, were encouraged by the Bank of England to put up the money.

A banker said the request for

the funds was made early last week. Agreement has now been given, though the banks will not hand it all over in one lump. They will be able to draw on the funds as they need them, but

only in consultation with the

banks," said a banker. The facility is to last a few months. The loan is secured on property at Canary Wharf and other assets. It has prior claim on O&Y's assets ahead of the main £500m loan for the construction

of Canary Wharf, which was pro-vided by 12 banks, most of which are involved in the new facility. "The Canadian end [of O&X] had been feeding the cash a banker involved in providing the new funds said yester-

UK News .

Thatcher to revive shaky campaign

By Philip Stephens, Political Editor, in London

THE British conservative party enlisted Mrs Margaret Thatcher, the former prime minister, yes-terday to relaunch a falteting general election campaign after a clutch of weekend surveys con-firmed that the Labour party had held on to a small lead in the

opinion polls.

Mrs Thatcher's appearance alongside Mr John Major, the prime minister, at a London rally saw him mount the most harshlyworded attack of the campaign on Labour's tax policies and on Mr Neil Kinnock's leadership of the Labour party.

The joint onslaught by Mr Major and Mrs Thatcher, however, was dismissed by the oppo-sition as a "panic" admission that Labour had seized the initiative. The former prime minister said: Everything that we have gained could so easily be lost unless we are returned for a fourth term."

Mr Kinnock, describing the opinion polls as "reassuring and encouraging" reaffirmed an earlier prediction that his party

Continued on Page 16 Election '92, Pages 8 and 9 Letters, Page 15 Loan bid failure, Page 20 Trade figures hurdle, Page 23

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Aylwin

red-faced

THE disclosure of a secret

police force that spied on mili-

tary officers, trade union lead-ers and political opponents has

seriously embarrassed Presi-

dent Patricio Aylwin's govern-

Mr Aylwin is being accused of emulating the dictatorial

practices of his predecessor, General Augusto Pinochet.

The spying scandal was dis-closed by the Union of Inde-

nendent Democrats (UDI), a

small right-wing party best

known for its loyalty to the former dictator. The scandal has allowed UDI to recapture

the moral high-ground after being taunted for falling to defend haman rights during Gen Pinochet's rule.

"This government was

elected to correct the errors of

the past, not to repeat them,

Mr Jovino Novoa, UDI's presi

The government has not con-

tested the veracity of the clas-sified documents that fell into

the hands of its opponents.

dent, said at the weekend.

ment in Chile.

Collor sacks defender of Amazon rainforest

By Christina Lamb In Rio de

PRESIDENT Fernando Collor of Brazil has sacked his environment minister, Mr Jose Lutzenberger, one of the world's leading defenders of the Amazon rainforest, just two months before Brazil is due to host the United Nations World Environment Confer-

The move comes after Mr Lutzenberger embarrassed the government by publicly accus-ing Ibama, the federal agency responsible for protecting the forest, of corruption and misuse of foreign funds.

Speaking in New York last week at a preparatory meeting for the UN conference, or Earth Summit. Mr Lutzenberger accused Ibama of working "as an agent for the woodchoppers" and distributing licences to chop down the Amazon. Ittitated by the controversy, Mr Collor has also sacked the head

Ironically, despite Mr Lutzenberger's claims that Amazonian forest fires have been reduced during his tenure, the figures for last year are expected to show an increase. However, the main reason for his

that Mr Lutzenberger would embarrass Brazil at the Earth Summit by resigning with an attack on the government.

Mr Lutzenberger, the most colourful figure in the Brazilian cabinet, is a world-renowned ecologist whose appointment as minister in 1990 was seen as a clever ploy by Mr Collor to stifle international criticism of Brazil's poor environmental record.

Brazilian government has found it difficult to form a coherent position for the Earth Summit

Known for his eccentric behaviour, he is no stranger to controversy. At the previous preparatory meeting in Geneva he sparked off a row by referring to the governor of Amazonas state as "a baboon" and calling the Brazilian military the enemies of the environment" for opposing what they see as international interference in the Amazon.

Mr Lutzenberger achieved little in office other than to secure the demarcation of a reserve for the threatened Yan-

after spy disclosure dismissal was Mr Collor's fear omami Indian population. He often admitted that he felt frus-By Leslie Crawford in trated in government and it was thought to be only a mat-

ter of time before he resigned. Mr Jose Goldemberg, the education minister, who takes over the post temporarily, admitted "there has been considerable divergence between the environmental position defended by our Foreign Office and Lutzenberger's declara-

The government has had difficulty forming a coherent posi-tion to take to the summit. Mr Lutzenberger has not agreed with the Foreign Office empha-sis on "sustainable develop-ment" as a solution to the Amazon problem, fearing it could be misused by those intent on exploitation.

The third minister to be dismissed in a month, he is likely to prove a weighty opponent, and may be more effective outside the government than in.
After being informed of his

dismissal he said that were he not having to take penicillin he would be "drinking champagne". However, he added: "I also feel sad because I fear what may now happen in terms of devastation of the

Mr Horacio Toro, chief of Investigaciones, the civilian police force, was forced to resign on Friday. President Aylwin wrote to him saying: "Instructions issued under your orders...have gravely damaged the credibility of this government in the field of civil liberties." Few Chileans believe, how-

ever, that Mr Toro acted on his own initiative. UDI has called for a parliamentary inquiry to determine who gave Mr Toro his orders. The police chief's immediate boss is the home secretary, Mr Enrique Krauss who is one of President Aylwin's closest advisers.

The documents revealed by UDI gave details of instructions to a "special branch" of Investigaciones to report monthly on the activities of the government's political and trade union opponents, includ-ing their family lives.

Of particular interest was a "Falcon Plan" to keep tabs on Gen Pinochet's meetings with business leaders and politi-



President Bush (left) chats with German Chancellor Helmut Kohl at Camp David at the weekend. Germany is hoping the talks will help break the logiam in the Gatt talks

Clinton adds voice to calls for reform of Congress

By Jurek Martin, US Editor, in Washington

GOVERNOR Bill Clinton of Arkansas, overwhelming favourite to be the Democratic party's presidential nominee; yesterday added his voice to the calls for reform in the way the US Congress does business. But he did so in a materially

different way from President George Bush's demand that the solution lay in throwing out the Democrats from their long control of the legislature. Interviewed on TV, Mr Clin-

ton agreed that Congress was too entrenched in its way, was too subject to pressure from special interest groups, and probably enjoyed too many perks. But the real problem, he went on, was the lack of a real partnership between the president and Congress. The Rea-gan and Bush administrations had been so intent on confrontation that they had "let Contition of this. gress drift in an unfortunate

It was, he said, typical that Mr Bush should veto, as announced on Friday, the lastest economic reform package passed on Capitol Hill. It was a serious attempt to deal with real economic problems, Mr Clinton said, and inappropriate for the president to block it simply because it would have increased income taxes wealthiest Americans. sed income taxes on the

recent report from the Congressional Budget Office, national income had been sig nificantly redistributed in favour of the better-off. If president, he would ensure no repe-

This represents Mr Clinton's first attempt to counter the latest tactic in the Bush strategy of declaring war on the Demo-crats in Congress. This is designed to capitalise on some of the scandals engulfing the legislature, which have in turn accentuated the mood against incumbent politicians. In calling for Congress to mend its ways, while putting much of the blame on the president, Mr wealthiest Americans.

Clinton hopes to rally the In the 1980s, he said, citing a party behind him.

Argentines hold four over bomb

ARGENTINE police arrested four people at the weekend in connection with the bombing that levelled the Israeli embassy, killing 28 people, Reuter reports from Buenos

People who witnessed the arrests said they believed the four, all men, were of Arab descent Police made no official comment on the arrests and it was not known whether any charges had been brought

The bombing on Tuesday destroyed the embassy and injured 225 people.
Mr Jose Luis Manzano,
Argentina's interior minister,

said last week that investiga-tors believed a remote control device detonated the 100kg of explosives that were packed in a truck parked in front of the embassy. The pro-Iranian Islamic

Jihad, in a statement issued in Beirut, said it planted the bomb. The group said the attack had been to avenge Israel's killing last month of Hizbollah leader Sheikh Abbas Musawi. Initially Argentine police detained three men, but released them within hours.

The Financial Times (Europe) List
Published by The Financial Times
(Europe) Ltd., Frankfurt Branch,
Nibelungenplatz 3, 6000Frankfurtam-Mash 1; Telephone 49 69
156850; Fax 49 69 5964481; Telex
416193. Represented by E. Hugo,
Frankfurt/Main, and, as members of the
Board of Directors. R.A.F. McClean,
G.T.S. Dumer, A.C. Miller, D.E.P.
Palmer, London. Printer: DVM
GmbH-Hürriyet International, 6078
Neu-Isenberg 4, Frankfurt, Responsible
celitor: Richard Lambert, Financial
Times, Number One Southwark Bridge,
London SEI 9HL The Financial Times
Ltd, 1992

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the Issue of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Inses Limited, The Financial News Limited, Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cades 01. Tel: (01) 4297 0621; Fax. (01) 4297 0629. Editor: Richard Lambert-Printer: SA Nord Edsir, 15/21 Rue de Caire, 59100 Roubsix Ceder 1. ISSN: 15SN 1148-2753. Commission Paristire No 67806D.

Pinancial Times (Scandinavia) Vimmelakaftet 42A, DK-1161 Copenhagen-R, Denmark, Telephone (33) 13 44 41. Fax (33) 935335.

Brussels seeks deal on export of recyclable toxic waste

By Andrew Hill in Brussels

EC environment ministers will today try to agree a framework for the export of recyclable toxic waste, amid intense pressure from MEPs and environmental lobbyists to adopt tough restrictions.

Before the environment council begins, Mr Ken Collins. the British Labour MEP and chairman of the European parliament's influential environment committee, will put the MEPs' case directly to Mr day that political agreement Carlos Borrego, the Portuguese was possible today, but Carlos Borrego, the Portuguese minister who will chair the meeting, and other ministers. The parliament is calling for a ban on all exports of hazard-

the year 2000. The Community has already banned the export of waste to 69 developing countries in Africa, the Caribbean and Pacific (ACP).

The Commission also agrees to a total ban on the export of waste for final disposal. But it believes EC member states should be allowed to ship recyclable waste to countries which are members of the OECD and have ratified the Basle convention on waste shipments.

The Commission said on Frinational officials believe the measure may be too complex to agree in a single meeting. A meeting of technical experts is ous waste from the EC from expected at the same time in

an attempt to resolve the more detailed problems.

Without the Commission's support, the parliament's powers to change the measure are limited, but MEPs could delay or disrupt the procedure when the directive is given a second reading.

Greenpeace, the environmen tal lobby group, warned last week of the dangers of "toxic colonialism" if the EC made any move to allow waste shipments to third countries on the basis merely of bilateral agree-ments. Such an approach could lead to developing non-ACP countries accepting waste which they did not know how to recycle safely, said the

obtain advanced technology. The sale of LTV's aircraft

missile and aircraft divisions of LTV, the large bankrupt US steel maker, to France's Thomson-CSF should be reviewed because of its potential impact on national and economic security, the chairman and vicechairman of the Senate Intelligence Committee havetold President George Bush, Nancy Dunne writes in Washington. Similar concern Was expressed in a letter to Mr French defence electronics

THE possible sale of the Bush on March 10 from 40 senators of both parties, worried that foreign companies, backed by their governments, might and missiles division to

Concern over US steel maker

Vought, a newly formed group jointly owned by Martin Marietta and Lockheed, could be jeopardised, the senators said, by "a pending higher offer" from Thomson-CSF, the group, and Carlyle Group, a Washington investment banking firm. Although LTV and its union

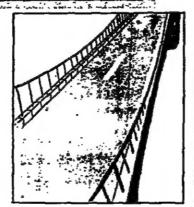
have accepted the Vought offer, there is concern that a federal bankruptcy court will require LTV to accept Thomson's higher offer. The letter said Vought would

operate as a single company, while under the Thomson-CSI plan, the aircraft and missiles division would be broken up.

OPPORTUNITIES OF CONSTRUCTION OF HIGHWAYS IN PAKISTAN



National Highway Authority offer various road and bridge projects on finance-cum-construct basis to the private sector.



THE RESERVE OF THE PROPERTY OF

	Name of Project	Length in KMs	Estimated cost in million Rs.
1.	Construction of an additional carriageway between "Ubaro and Bahawalpur"	251	2,684
2.	Improvement/construction of "Balakot to Chillas"	162	648
3.	Construction of Dual carriageway from mile 17 to Murree along Islamabad-Murree highway	33	470
4.	Improvement of existing carriageway from Farhad bridge on Karakoram highway to Skardu	168	672
5.	Construction of an additional carriageway between "Mansehra to Hassanabdal"	90	900
6.	Construction of an additional carriageway between "Bahawalpur and Mianchannu"	282	2,210
7.	Construction of an additional carriageway between "Moro and Ubaro"	282	2,860
8.	Construction of Chiniot bridge and approaches	-	400
9.	Construction of Sukkur bridge and Bypass		709
10.	Construction of an additional Carriageway "Kharian-Pindi".	125	1,900
II.	Construction of an additional Carriageway Chabalat-Nowshera.	82	1,400
12.	Construction of an additional Carriageway "Lahore-Sahiwal"	150	1,500

Expression of interest is invited from interested parties to reach not later than April 15, 1992



National Highway Authority, 27, Mauve Area, G-9/1, P.O.Box 1205, Islamabad-Pakistan Tel: 859835 Fax: 859903

PETROLEOS MEDICANOS INVITATION TO OFFSHORE DRILLING COMPANIES TEMBER NO CSPP - 52682

Petrolece Mexicance leviles companies with experience in offshore drilling to participate in the bidding for the award of contracts on the turnivay basis for the drilling of 4 offshore exploratory wells with the support of mobile drilling unites (jack-ups). The wells are distributed in 2 groups of 2 wells each, with deplate from 5,000 m. si 6,000 m., all of the located in the Cumpache Bay in the Gull of Mexico with water depths from 34 m. to 65m.

Registration for this tender will commence with the publication of this levitation until April 3nd, 1982. Opening of bids will be on May 14th, 1982.

All recousant information to performance in the

All recousing feformation to purisipate in this tender should be requested by fax or tyles, to the following surribuse in Mexico Chy: Fax: (525) 254-7608; Yelex: 1773082 PMITME or 1773513 PMITME; Tel: (525) 255-4214; Alm: Mr. Alejandro Marquez.

LEGAL NOTICES

THE COMPANIES ACT, 1985, PLITLAND LIMITED, EXTRAORDINARY RESOLUTION, PASSED 11TH MARCH 1992 In Expandingly General Heating of the mixers of the above-named Company Company and hard heating and heating Company Company and August Augus

Members of the above-named Company duly convened and held at 12 Portland Street, Southungton, on the 11th day of March, 1992, the subjelend EXTRAORDINARY RESOLUTION was

And the second of the satisfaction of this wastefaction of this Meeting that the Company cannot, by reason of the liabilities, continue its business, and that it is advisable to wind up the same, and accordingly that the Company be wound up voluntarily."

BARRINGTON J. DUTTON Director

Notice of Appointment of Administrative Receivers SCAMPERFECT LIMITED

gistered number: 2269678, Nature of siness: Holding Company, Trade selfication; 10. Date of appointment of cleanification; 10. Date of appointment of joint administrative receivers: 12 March 1992, Name of a person appointing the joint administrative receivers; Lloyds Sauk Pic. Robits Michael Addy and Nicholes Robin Bromfield Godden, Joint Administrative Receivers (Office haders nos 1031 and 2003), Cork Guly, Mourt Pleasant House, Hustingdon Road, Cembridge, CB3 OBL.

Notice of Appointment of Joint Administrative Receivers ADMITPHINT FABRICS LIMITED pictured number: 1428720. Nature of timess: Textile and Clothing machine, Trade classification: Oil, Durin

pointment of joint administrative evers: 12 March 1992. Name of a person appointing the joint admirectivers; Lloyds Bank Plc. receius; Lugus para ma. L. Robert Bailey and Stephen J Taylor Joint Administrative Receivers (Otion holder nos. 6496 and 7821) Cost. Gully, Abacus House, 32 Friar Lane, Lelouster LET SRA FRITLAND LIMITED IN LIQUIDATION NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 30th day of Applit 1902 to send their names and addresses and the names and addresses of their addresses of their addresses of their addresses of their sentences of their addresses of their addresses, or the final details of their addresses of their addresses, or paraceally, to come in an prove their and addresses of the detail the specified in such time and place as a shall be specified in such time and place as a shall be specified in such time and place as a shall be specified in such time and place as a shall be specified in such motion, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved. SUCH debte are proved.
Dated this 11th day of March 1982
A P WHALLEY, Liquidator

The insolvency Act 1986 . FILTLAND LIMITED IN LIQUIDATION.

Notice of Appointment of Joint Administrative Paceivers GROSH & WOLFF LIMITED

Gesper a WCLF- Lieffied

Registered number: 412877. Nature of
bushases: Greeting Card Publishers. Trade
classification: 10. Data of appointment of
joint administrative receivers: 12 March
1962. Name of a preson appointing the joint
administrative receivers: Lloyds Bank Pc.
Robin M Addy and Nicholas R B Godden,
John Administrative Receivers: (Office
holders nos 1001 and 2400), Cost. Gally,
Mount Pleasant House, Hundingdon Road,
Caschologe, CBS 081.

Company Not 2367434 Registered in England and Wates WISOLVENCY ACT 1886 Resolutions of PLITLAND LIMITED BARRED LIMITED At a reseting of credions held on:15 March 1992 the credions confirmed the appointment of Alan Peter Whalley, Cork Gully, Hith House, Richmond Hill, Bournermath, Dorest artz 6HS as liquidator. Dated 12 March 1992 B.J DUTTON, Chalenne

GREECE

The FT proposes to publish this survey on

23 April 1992.

Professional investors in over 160 countries worldwide and 54% of chief Executives in Europe's largest companies will see this Financial Times Survey. This definitive examination of Greece, its business, its position with the European community and its politics will be retained by influential FT readers for future reference. For a copy of the editorial sympast and advertisement rates contact

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* Date source: Chief Executives in Europe: 1990

FT SURVEYS

COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAY ("The Company") La rue Pierre d'Aspelt L - 2016 Luxembourg

NOTICE OF ANNUAL GENERAL MEETING Notice is hereby given that the Annual General Meeting of shareholders of COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAV will be held at Centre Mercure, 7th floor, 41 avenue de la Gare, L - 1611 Luxembourg, Grand

R.C. Luxembourg B32640

Duchy on 7th April 1992 at 15.00 with the following agends:
1. to hear and approve the report of the Board of Directors and the report of
the Auditors for the period ended 37 December 1991; to approve the annual accounts and the statement of operations for the

period ended 31 December 1991: to approve on any dividend distributions proposed by the Directors; to give discharge to the Directors:

5. to re-appoint the existing Directors;
6. to re-appoint Mesers Cooper & Lybrand as Auditors;

any other business VOTTING . es may be passed without a quorum, by a simple majority of the otes cast thereon at the meeting. **VOTING ARRANGEMENTS**

in order to vote at the meeting, the holders of bearer shares trust deposit their shares not later than Monday, 30 March 1992 either at the registered office of the Fund, or with any bank or financial institution acceptable to the Fund, and the relative Deposit Receipts (which may be obtained from the registered office of the Fund) must be forwarded to the registered office of the Fund to arrive not later than Monday, 30 March 1992. The shares so deposited will remain blocked until the day following the Meeting or any adjournment

BY ORDER OF THE BOARD

Notice to holders of BankAmerica Overseas Finance Corporation US\$400,000,000 Guaranteed Floating Rate Subordinated Capital Notes 1984-1996 ("BAOFC 1996 Notes") rica Corporation US\$480,000,000 - Flo

Capital Notes 1985-1997 ("BAC 1997 Notes") BankAmerica Corporation US\$325,000,000 - Floating Rate St Capital Notes 1987-1999 ("BAC 1999 Notes") BankAmerica Overseas Finance Corporation N.V. US\$100,000,000 -10 3/8% Guaranteed Notes Due 1990 ("BAOFC 1990 Notes")

Notice is hereby gives to the holdess of the BAOPC 1996 Notes, the BAC 1997 Not Notice is hereby given to the holder of the hadron 1990 Poses, the BAC 1999 Notes that Banque Ipps & Associae 5.A., formerly Bank of Arcesica International 5.A., sestigned as Principal Paying Agent in respect of the BACFC 1996 Notes and the BAC 1997 Notes and as Paying Agent with respect to the BAC 1999 Notes and that Banque Internationals à Luxembourg 5.A. ("BIL") has been appointed by BankAmerica Corporation at successor to the functions of the Principal Paying Agent and Paying Agent with effect as from the date of March 23, 1992. Accordingly for the next rest, payment date which shall be respectively March 31, 1992, June 7, 1992 and, April 24, 1992 payment shall be made by BIL.

Further, Banque Ippa & Associës resigned as Fiscal and Paying Agent in respect of the BAOFC 1990 Notes and BIL has been appointed by BankAmerica Corporation as successor to the function of Fuest and Paying Agent with effect as from the date of Masch 23, 1992

The former Fiscal Agent, Principal Paying Agent, Paying Agent.

Principal Paying Agent, Paying Agent Banque Ippa & Associos Banque Internationale & Luxenbourg S.A. G, Boulevard Prince Houri 2, Boulevard Royal L-2953 Luxembo

PERSONAL

NICHOLAS OF LONDON

Mr Nicholas, formerly at the Srittania: Hotel and 164a Sloane Street, is now offering his personal service at the Nicholas of London Hairdressing Salon, at the Hyatt Carlton Tower Hotel. For his presonal attention please phone for an appointment, 071-235 3389 (DIRECT) or 071-235 5411 Ext. 8295

COMMENT TRAVELS THE WORLD

FT

Bonn faces immigration setback

Pleas for Volga Germans to stay put in Russia fall on deaf ears

By Quentin Peel in Bonn

entines

The second of th

. 5-1-27

THE German government's campaign to persuade up to 2m ethnic Germans living in the former Soviet Union not to emigrate received a serious setback at the weekend.

Representatives of the so-called Volga German com-munity called on both Russia and Germany urgently to draw up a plan to enable all who wish to leave to do so in three to five years.

They rejected promises by Mr Boris Yeltsin, the Russian president, to re-create the autonomous German homeland on the Volga river as amounting to "an effective refusal to take effective measures to recreate German autonomy".

The three-day congress of Volga Germans in Moscow heard an appeal by Mr Horst Waffenschmidt, the German state secretary for internal

new homeland in Russia. "The door to Germany is still

open," he told the congress, but I must say clearly and honestly that we can only accept a limited number of

He was answered bluntly by

All those who want to emigrate must be allowed to emigrate'

Mr Heinrich Groth, chairman of the largest organisation of Volga Germans, called Rebirth: "All those who want to emigrate, must be allowed to emi-

Most of the Soviet Union's ethnic Germans were deported from the Volga region and Ukraine to Siberia and Kazakhstan by Stalin during the war. The slim chance that, in the present chaotic situation in Russia, they might be per-

republic, the reality seems decidedly unattractive. On a subsequent trip to Saratov, former capital of the Volga republic, he proposed resettling the community on the abandoned missile-testing site at Kapustin Yar - a clear sop to local Rus-

suaded to resettle rather than

opt for their constitutional

right to return to Germany.

seems now to have been under-

Although the Russian presi-

dent promised in Bonn last

year to re-establish the Volga-

mined by Mr Yeltsin.

sian fears. The prospect of mass immigration of anything up to 2m Volga Germans, many of whose ancestors came to Russia up to 200 years ago, is one which fills the authorities in Bonn with alarm.

The issue of asylum seekers in Germany, arriving in the country at more than 30,000 a month, is already causing political and social problems. The German authorities are extremely anxious not to see that immigration issue mixed up with the sensitive question of allowing ethnic Germans to return, which is enshrined in the constitution.

of Germans returning, initially from eastern Europe and increasingly from the former Soviet Union. Between 1989 and 1991 there were almost im, although the number fell from a peak of more than 397,000 in 1990 to almost 222,000 last year. Mr Waffenschmidt's brief is to offer substantial German

The country has seen a flood

government investment wherever the émigré communities can be persuaded to stay where

Genscher expects EC to expand

By Andrew Fisher in Frankfurt

MR Hans-Dietrich Genscher. Germany's foreign minister, said at the weekend he expected Poland, Hungary and Czechoslovakia to become full members of the European Community this decade.

The timing would depend on the internal economic and political developments in these countries, he said. Noting that these countries

had treaties of association with the EC. Mr Genscher said the door must be held open for r membership of the Baltic nations and the successor states to Yugoslavia, as well as Romania and Bulgaria.

Commenting on progress towards European Monetary

Telecommunications sector looks to the east

Joint ventures abound in former communist bloc but there is a long way to go, reports Hugo Dixon



Hans-Dietrich Genscher: Community's door must be

mean the end of the D-Mark but rather the extension of German stability to the whole EC - "thus a Euro-Mark". It was important, he added,

that the European central bank be sited in Frankfurt, home of the Bundesbank, which is a symbol of currency stability.

Arrests follow Leipzig protests

GERMAN police said yesterday hastily erected barricades. they had detained 67 people after anarchists, many of them masked, hurled rocks and smashed car windows at an anti-racism demonstration in the eastern city of Leipzig. Reuter reports.

Leipzig city police said 17 officers were slightly injured after 900 policemen, reinforced by paramilitary border guards, used water cannon and truncheons on Saturday to drive the 400 anarchists away from the city centre.

Witnesses saw several demonstrators with blood streaming down their faces from head wounds but the police did not give any figures for the number hurt.

A police helicopter was struck several times by fireworks hurled by the demonstrators. Anarchists set car tyres and rubbish containers

Fifteen people were under investigation for illegal possession of arms and damaging

property, police said. The riot, the biggest in the former communist east Germany since left-wingers fought police in Halle last November, occurred after a peaceful demonstration by around 1,000 peo-

Carrying banners saying "Foreigners in, Nazis out". they protested against another rally in the city organised by the National Offensive, an

extreme right-wing group.
Police said they found a pet rol bomb hidden in the square where the neo-Nazi rally was

to start later. Some 300 right-wingers chanting Adolf Hitler's slogan "One people, one Reich, one Führer" and giving the illegal Nazi salute later marched

More UN peacekeepers arrive in Yugoslavia

By Laura Silber in Beigrade

MORE United Nations peacekeepers arrived at the weekend to take up positions in war-torn regions of Croatia amid renewed fighting between Serbs and Croats.

Croatian and Serbian news media reported fighting in eastern and central Croatia and Dubrovník, the Adriatic port. Each side accused the other of violating the ceasefire brokered by the UN on January 3. UN officials said the pace of deployment was expected to

cers from Argentina arrived on Saturday in Belgrade, the Ser-bian and federal capital. A force of 29 Swedes and 29 Danes was yesterday expected to join some 500 peacekeepers already despatched to three UN Protected Areas in Croatia. Meanwhile officials from the

cakeepers would be in place by April 25. Some 29 police offi-

'Yugoslav and Croat armies after two days of talks brokered by the International Red Cross in Pecs, southern Hungary, agreed at the weekend on a full exchange of prisoners of pick up over the next week, and a force of about 14,000 pea-Belgrade-based news agency.

Nuclear monitoring plan

RUSSIA and Ukraine will set up a committee to monitor the destruction of nuclear warheads, Ukraine's President Leonid Kravchuk said yesterday, Renter reports from

Mr Kravchuk told Moscow television he was not yet ready to resume sending tactical nuclear warheads to Russia.

He suspended the process 10 days ago, saying he wanted western powers to monitor

He said he had agreed with Russian President Boris Yeltsin to set up a four-nation committee, to include the other nuclear republics, Kazakhstan and Belarus, as a first step towards resolving the issue.

Telecommunications was one of the most underdeveloped sec-tors of the old eastern bloc. But it is now brim-

THE EUROPEAN ming with life. MARKET Scores of joint ventures between domestic and western enterprises have been formed, and governments are giving top priority to investment in telecommunications.

Part of the reason for the burst of activity is that eastern Europe has a long way to catch up. Under communism, telecommunications was given a low priority, for ideological reasons. Party bosses realised that allowing it to develop untrammeled might encourage democratic forces.

ments have taken an opposite approach. They believe more telephones are needed to protect democracy and to underpin the development of free

Only two years ago, the

The region's new govern-

region's telecommunications infrastructure was in a parlous state. Few people had phones; most were concentrated among the communist elite. Much of the equipment was shoddy, in some cases dating from before

the second world war. Business services, such as faxes and mobile phones, and international communications were particularly hard to come by. Until recently, for example, all foreign calls from the Soviet Union's 290m people had to be channeled through one exchange in Moscow, which had only 16 circuits to the US and 34 to the UK.

These bottlenecks, particularly in Hungary, Poland and Czechoslovakia, have been the first to be tackled. "Business services are already adequate and will be up to western standards in two years," says Mr Blake Swensrud, president of International Technology Consultants, a Washington consulting firm specialising in

eastern Europe.

companies have been installing special networks to cater for these customers. Their joint ventures fall into three main categories:

• International exchanges. Improving international communications is a rapid way of earning money, because of the high price of foreign calls and the increased need for eastern Europe to communicate with the rest of the world. Most of the new countries in the Commonwealth of Independent States are putting in their own international networks. US West, an American telephone company, is installing exchanges in Moscow and Lithuania. Australia's OTC has put an exchange in Kazakhstan, American Telephone and Telegraph has installed one in Armenia, and Canada's Teleglobe has been commissioned to fit out Moldova with an international network.

• Cellular networks. These are a quick way of providing companies with telephones Businesses have been given because they use radio links priority and foreign telephone and so no roads need to be dug up. Once fixed networks are in place, the cellular ones will be used for mobile communications. The largest deal was in Poland, where France Telecom and Ameritech of the US are said to have paid \$80m to

\$100m (£58m) for a licence. Overlay networks. These fixed networks are often separate from the countries' public networks, giving a better service for a premium price. Sovintel, a joint venture between GTE and Sovam, both of the US, is putting in such a network for Moscow's international business community. The UK's Cable & Wireless building a modern network for the Polish port of Gdansk.

Providing telephone lines to the mass of the ordinary population in eastern Europe will take much longer. The UK-based Telecommuni-

cations Research Centre estimates that it will cost \$80bn to increase the number of phone lines from the current average of 10-15 per 100 people to 25-30, which would still be less than the 50 common in the west.

The outlook for most of the CIS is particularly bad. Mr Swensrud says, "Russia is just so hig it's going to be very difficult to develop the network. In the Ukraine, nothing will

happen overnight." Nevertheless a start has been made on this massive job.
First, the western embargo
on exports of high technology

is being relaxed. Second, foreign telecommunications manufacturers have formed joint ventures to make exchanges and transmission equipment locally. Germany's Siemens, France's Alcatel, AT&T and Sweden's Ericsson have been particularly active. Third, the state-owned tele-

phone companies are being reorganised. Telephone companies in Hungary and Poland have been separated from the national post offices and similar moves are planned in Czechoslovakia and Bulgaria. Most countries are also putting up prices to make their phone companies more profitable.

That will belp generate

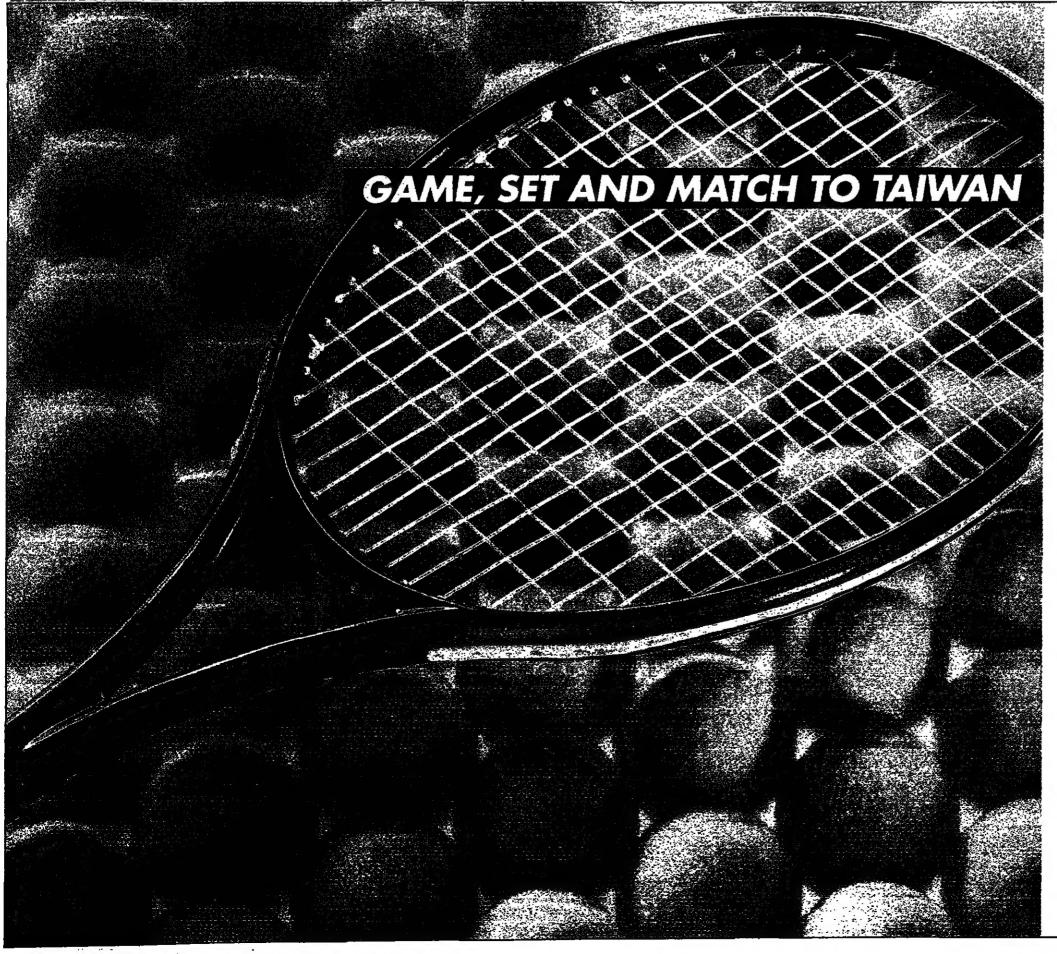
most countries are also looking for other sources of funds.

The European Bank for Reconstruction and Development and the World Bank will help fill part of this gap. Four of the 14 loans made so far by the EBRD have been for telecommunications, including the largest, an Ecul42m (£101.5m) loan to bring 1m modern tele-

phone lines to Romania. But countries will be looking to the private sector for the lion's share of their external

financing needs. The big money will come when governments privatise their telephone companies. selling large chunks to foreign operators which could bring finance and management skills. Hungary, Poland and Czechoslovakia are going down this route and could complete sales in the next year.

But, with Latin American and south-east Asian telephone companies also up for sale. other eastern European countries will have to move smartly or the supply of buyers may



Would it surprise you to know that some of the best tennis players in the world use racquets made in Taiwan?

Or that the first graphite racquet was developed and engineered in Taiwan over 15 years ago?

Today, graphite is the material of choice for tennis players around the world and racquets, very well made in Taiwan, are the choice of champions.

in fact, the termis racquet shown here is just one example of the fine craftsmanship coming from Taiwan today. The result of having a deep commitment to making technology the best it can be.

IT'S VERY WELL MADE IN TAIWAN

FT CONFERENCES

MANAGING FINANCIAL RISKS London, 30 & 31 March

The workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. It combines comprehensive technical reference material with an interactive format, case studies and worked examples.

FT - CITY COURSE

London, 6 April - 26 May

This course is designed for employees in companies with interests in the City to provide a broader understanding of all aspects of the operations of the City of London and the factors that make it a preeminent financial and trading centre.

INTERNATIONAL SECURITIES MARKETS: LIMITING MARKET RISK

London, 12 & 13 May

This high-level conference will focus on the multilateral attempts to limit market risk, and will provide a broad international perspective of market regulation, how the markets are developing and the management issues of assessing and controlling risk. Speakers include Martin Vile of the Securities and Investments Board, Jean Saint-Geours of the Commission des Operations de Bourse, Geoffrey Fitchew of the Commission of the European Communities, Pen Kent of the Bank of England, Dr Thomas Huertas of Citibank and Jonathan Davis of **BZW Equities.**

DOING BUSINESS IN AN INTEGRATED EUROPE - THE IMPACT OF EC LAW AND POLICY Brussels, 13 & 14 May

This high-level forum, to be arranged by the Financial Times and Lovell White Durrant, will discuss the broader issues arising from European integration and examine their implications for the business community. The conference will feature a series of practical workshops, which will provide a thorough briefing on the legal aspects of structuring a business and trading in the new Europe.

ASIAN ELECTRICITY

Singapore, 26 & 27 May

The Asian electricity market is entering a period of rapid change, as the governments of many key countries review their national energy policies. Arranged in association with Power in Asia, the conference will focus on electricity privatisation in the region, review the widening role of the private sector in power generation and examine the structuring and linancing of projects.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323 (24-hour answering service), Telex: 27347 FTCONF G, Fax: 071-925 2125

NEWS: INTERNATIONAL

EC split over defence industry

Ministers fail to agree on scope for Community assistance

By Patrick Blum in Lisbon

EUROPEAN Community industry ministers failed at the weekend to agree on an EC policy towards the defence industry, which is suffering from over-capacity in the aftermath

Mr Luis Mira Amaral, Portugal's industry minister, said there were clear differences at the informal meeting in Lisbon on whether the Community should develop an EC-wide approach to the industry.

Unlike industries such as textiles, many defence companies were concentrated in relatively prosperous regions in Britain, France and Germany. This made it difficult for the

its industrial aid was focused

on depressed regions. Mr Martin Bangemann, vice-president of the EC's executive Commission, presented a paper seeking member states' views on whether a special initiative on the arms industry

Lord Reay, Britain's undersecretary of state for industry, said the paper on defence industries raised more questions than answered. "I don't believe there is scope for Community action in this field."

Others were more prepared to consider Community action. industrial restructuring. "France is not opposed to using EC funds to facilitate reconversion," said Mr Dominique Strauss-Kahn, the French industry minister. However,

152.7

8.1 9.9

293.8

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344.1

both Britain and France believed the Western European Union and Nato's Independent report said. European Programme Group which deals with arms pro-

There was broader agreement over co-operation with eastern Europe and the republics of the former Soviet Union. In its first comprehensive report on industrial prospects of the region, the Commis said there was an urgent need to encourage investment and

curement, were more appropri-

ate forums for discussing the

Foreign investment in 1990 at Ecu2.1bn (£1.49bn) in central and eastern Europe and Ecu2.3bn in the former Soviet potential. Investment was still "relatively unimportant", the

The scale of the task is without precedents ... The transition (to market economies] will probably take a very long time, and a substantial part of industry will remain for some time yet under state tutelage," the report said.

Recent upheavals in the region had created serious economic distortions, but co-operation depended on pursuing the path of reform. Creating the right economic and business environment with better information, an appropriate legal framework and better protection for investments was crucial to

result would be to improve the

banks' lending capacity by

between FM90bn and FM110bn

(or about 25 per cent of the

banks may not need to draw on

this capital at all, but the point

is that at least it is there to

avoid a credit crunch," says Mr

Jyrki Laakso, head of the inter-

national department at the Finnish Bankers' Association,

who sees this measure as an

To help banks further, the

central bank said it would take

steps to improve the banks'

meagre interest rate margins.

by raising the base rate by one

percentage point to 9.5 per cent

on May 1, and increasing the

It has been a sore point for Finnish banks that over half of

rates on low-interest loans

important precaution.

"It is quite possible that the

stock of loans).



Martin Bangemann:

their loans are tied to the base

rate (which has remained at 8.5

per cent since late 1989) while

their lending is funded at a

much higher rate in the money

Finland's central bank comes to the rescue

The country's banks are reeling from the effects of the recession, writes Sara Webb

Credit losses and non-performing loans (Fissish Markka m)

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INLAND'S banks are reeling from the worst economic blow in recent history. Faced with heavy credit losses and debtors who have halted the interest payments on their loans, many of the Finnish banks reported large losses for 1991 and expect this year to be just as bad.

However, a godsend came last week in the form of a Bank of Finland proposal for a rescue package.

This is aimed at bolstering the banks' capital adequacy ratios, improving their profitability, and restoring confidence in the troubled sector by setting up a FM20bn (\$2.54bn) government deposit guarantee

Finland's financial markets flourished in the deregulated environment of the mid-to-late 1980s. However, the Finnish economy is now suffering from a severe recession: GNP fell by 6 per cent in 1991, unemployment has reached 10 per cent. and the number of bankruptcies soared by 70 per cent to a record 6,138 last year.

The sharp downturn in the Finnish economy has taken its toll on the banks, leading to a dramatic increase in non-nerforming loans (where no inter-

170.7 est has been paid for 90 days or more) and credit losses. Total credit losses for the Finnish banks jumped from FM2.34bn in 1990 to FM7.59bn last year, raising fears about the ability of the banks to meet the inter-

Commercial Banks

Co-operative Banks

Savings banks

national capital adequacy requirements in future. The Basle accord on international bank capital adequacy sets a minimum capital-toassets ratio of 8 per cent which must be met by the end of 1992.

Of the 8 per cent total capital requirement, at least half must be core, or Tier One, capital (consisting of common equity, perpetual preference shares and retained earnings), while the rest can be non-core, or Tier Two, capital (consisting of subordinated debt instruments, reserves and general provi-

"Finnish banks on average

met the capital adequacy requirements fairly comfortably (at the end of 1991)." said Finland's working group on banking conditions last

"However, there were big differences between banks, and at current balance sheet levels, this year's losses threaten to bring the total banking sector's capital ratio down to close to the 8 per cent minimum or in the worst cases

even below it." To meet the 8 per cent capital adequacy requirement banks would either have to raise new capital or cut their loans - a move which would have serious consequences for the economy.

The Bank of Finland announced that the government would make up to FM8bn available to invest in banks'

market, where three-month Helibor rates shot up to nearly 8,075.6 1,740,1 22,183 15 per cent in 1991 and are now around 12:3 per cent. 178.0 413.0 Traditionally bankers' pleas 2,335.1 7,588.8 for a higher base rate have met with stony resistance from the parliamentary supervisory core (Tier One) capital. The

board of the central bank which is responsible for base The politicians who sit on the board have been unwilling to raise the rate because of the

impact on individuals with mortgages and personal loans. However, while the board was sharply divided on last week's decision to raise rates Mr Rolf Kullberg, Bank of Finland governor, said he wanted to see the base rate increased still further to reduce the gap between credits tied to the

market rates. Bankers believe that as market rates fall and approach the base rate, it will become easier to ahandon the base rate altogether as a marker to loans.

base rate and those tied to

Nordic banking and finance survey. Section III

Way clear for very big Paris library

By Alice Rewethorn in Paris

THIS morning the builders will arrive with their buildozers at the Quai de la Gare in eastern Paris to begin work on the Bibliothèque de France. the new national library which is the latest and most controversial of the French government's recent architectural monum

The project, known as the très grande bibliothèque in France, has been clouded by controversy ever since Mr Dominique Perrault, its architect, unveiled his first designs for a building with sunken study cloister and giant glass

storage towers. Mr Perrault had conceived a building in which the readers would be "buried" underground in the cloister and the books, now in the old Biblioth èque Nationale at the back of the Palais Royal in central Paris, would be stacked in the 20-storey towers.

His design provoked a storm of criticism in the French press and from scholars who claimed that France's academic treasures would be roasted by the sun streaming through the glazed towers. President François Mitterrand eventually agreed to consider the complaints, despite the opposition of Mr Jack Lang, minister of culture, wh still supported the original

Mr Perrault was forced to modify his plans. The much-criticised glass towers have been scaled down in size and more of the books will be stored underground.

Even so, the construction of the library, scheduled to start last November and to open in 1995, had to be delayed when a group of homeless families squatted on the Quai de la

Gare site. They have moved away, however, and the Conseil Supérieur des Bibliothèques, which runs France's libraries, has approved Mr Perrault's new design. So the builders are finally free to begin work on France's très grande bibliothè-

ONCEAYE HANNOV MORE STARS THAN HOLLYWO

From 1st - 8th April HANNOVER FAIR '92 will set the stage for the stars of modern technology. Some 6,000 exhibitors from 40 countries will be competing for the

OSKAR awards of the industrial world. Everyone will be interested in the best performers in innovative electronics and sensor technol-

ogy, flexible, automated manufacturing, modern surface treatment, rational energy technology and environmental engineering. The spotlight will be on the transfer of know-how, which is opening up new technical opportunities in a variety of areas. Hannover provides a perfect backcloth. Here you can assess the performance of competitors and meet the experts. Business at the HANNOVER FAIR - a story that always has a happy end. With more star performers than you'd find anywhere. Even in Hollywood.

RESEARCH AND TECHNOLOGY - ELECTRICAL ENGINEERING AND ELECTRONICS - ENERGY AND THE ENVIRONMENT - PLANT ENGINEERING AND INDUSTRIAL MATERIALS - ASSEMBLY, HANDLING, INDUSTRIAL ROBOTS - SURFACE TREATMENT - TOOLS AND FACTORY EQUIPMENT - SUBCONTRACTING - PARTNER COUNTRY FRANCE TO A STREET OF THE PARTNER COUNTRY FRANCE TO A STREET OF

. Thai poll strengthens army's grip on power

By Victor Mallet in Bangkok

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the armed forces won about form a coalition. half the seats in the lower house of parliament in Thailand's general election yesterday, a qualified victory which suggests they could form a coalition government this intervention in politics were week if they can agree on a prime minister.

Thailand's return to democracy after its 18th coup d'état in February last year has been characteristically hesitant, and the election campaign was marred by widespread vote-buying and the killings of sev-

eral canvassers.

Political parties often lack coherent policies and buy members of parliament from each other for lucrative transfer fees, and few Thais were surprised when unofficial results showed that the brand new Samakki Tham (Justice Unity) Party had come out on top with about 78 seats in the 360-seat elected chamber.

Samakki Tham was createdby senior military officers after last year's coup to ensure a continued role for the armed forces in politics, and its lead-

AN ATTEMPT to shoot a top politician has shaken the Japa-

nese authorities out of their

complacency about security

just months before a nation-

wide election campaign, Reuter

A young ultra-rightist infil-trated a provincial meeting of

the ruling Liberal Democratic

Party (LDP) on Friday and

fired three shots at the power-

ful party vice-president, Mr

No-one was hurt, but one

bullet flew close to Mr Kanemaru's head. "I thought wind

or an insect was passing by me," the 77-year-old politician

The shooting in Ashikaga, north of Tokyo, has provoked

an outcry in Japan, with calls

to tighten security around pub-

reports from Tokyo.

Shin Kanemaru.

said afterwards.

ers were already negotiating forces and the police. with other pro-mintary parties POLITICIANS sympathetic to last night in an attempt to

Although the pro-military politicians did well in the poorer, northern parts of Thailand where vote-buying is routine, parties opposing military successful in Bangkok and in the politically-aware southern

half of the country.

Mr Chamlong Srimuang, the former mayor of Bangkok and leader of the Phalang Dharma (Power of Buddhist Teaching) party who campaigned as "Mr Clean", won an estimated 32 of the 35 seats in the capital and surprised even his supporters by winning about a dozen more seats elsewhere.

After staging the coup, the military junta gave the pro-mil-trary parties a built-in advantage by devising a controver sial new constitution which allows the 270-seat Senate to vote with the lower house in no confidence debates. Yesterday Gen Sunthorn Kongsompong, the junta's chairman, appointed a Senate of which

Japanese outcry at gun attack

Embarrassed police said

that, despite past right-wing threats to Mr Kanemaru, they

were not prepared for a gun attack. All their preparation

had been simed at foiling

We were caught in a blind

assaults by swords or knives.

spot," said the national police

chief, Mr Ryoichi Suzuki. Mr Kiichi Miyazawa, the

prime minister, and other gov-

ernment and LDP leaders,

including Mr Kanemaru, had

been expected to criss-cross the

country in the next few months to try to restore their

waning political fortunes

before elections in late July to

Mr Miyazawa's popularity

rating after less than five

months in office is languishing

series of bribery scandals.

of parliament.

lic figures because of the at around 20 per cent, amid a

replace half of the upper house noisy protests.

Debate last night was focus-

ing on the identity of the prime minister to replace the outgoing Mr Anand Panyarachun the military appointee who won the support of the business community for a series of economic reforms during his one-year tenure. Political liberals and student activists are demanding that the new premier be an elected member of parliament, while the military commanders say they have the right to choose anyone they

Officials of PollWatch, a new watchdog established by Mr Anand, agreed that vote-buy-ing was still widespread in yes-terday's election but claimed that PollWatch's existence and the presence of more than 31,000 volunteers at poll booths yesterday had to some extent deterred corrupt politicians.

Independent observers said campaigners had been more subtle about the way they bribed and coerced voters, in some cases buying noodle shops and brothels for a week at a time and providing free more than half the members meals and prostitutes to curry were officers of the armed favour with local residents.

party would have to reconsider

senior officials' travel plans because police could not guar-

The 24-year-old man arrested

after the attack on Mr Kane-

maru is a member of a tiny group called Yukoku Seiwa-

kai, Patriotic Association for

Harmony and Justice. On Sat-

urday, police raided its Tokyo

Japan's fragmented and rela-

tively small extreme right -

about 980 groups with total

membership of over 120,000 -

is strong on symbolic though

charge against Mr Kanemaru

is that he has taken the lead in

trying to normalise Japan's

long-frozen ties with North

The ultra-rightists' main

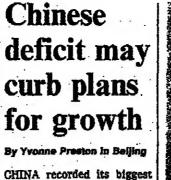
antee total security.

Wang spoke of China's "financial difficulties" Mr Tamisuke Watanuki, the LDP secretary-general, said the

Gorges dam on the Yangtze. Forecasts for 1992 show a

budget shortfall only marginally less than in 1991. Wang said fulfilling the targets for 1982 would be an uphill climb. A supporter of Chen Yun, who leads the conservative opponents of the Deng Xiaoping rapid development line, Mr Wang called for financial discipline and strict control over expenditure.

The only exceptions to the belt-tightening are military expenditure, up 12 per cent to 37bn yuan, and education, up just over 11 per cent.



CHINA recorded its biggest budget deficit last year, which puts severe financial restraints on its capacity to fund the rapid economic development

called for by elder statesman

Deng Xiaoping.
In a budget statement to China's annual parliament, the National People's Congress, at the weekend, the finance minister reported an unprece-dented deficit of 21.11bn yuan (£2.8bn), 8.76bn yuan over the

planned figure. The minister Wang Binguiang, blamed the deficit increase on a combination of factors, including last year's devastating floods, which led to a fall in revenues and a 10bn yuan disaster relief bill.

Support for loss-making state enterprises was a drain, costing the central budget more than 50bn yuan in subsidies. An additional 37bn yuan went in compensation for price increases which are aimed at bringing grain and oil prices more in line with the market.

reflecting deep structural problems in the economy. He blamed "poor economic performance, the irrational pattern of distribution of income, overstaffing in government organs and the burden of subsidies."

Budgetary constraints will make it difficult to fund the infrastructure needed for high speed development. They could also delay the start of construction of the 57bn yuan Three

The agency said 70 people were detained in the town declared. The outlawed Kurdish Work-

ers Party (PKK) had threat- between troops and Kurdish ened an uprising to coincide with Saturday's Kurdish New Year in the impoverished south-east which has seen seven years of PKK insurgency in which more than 3,400 people have been killed. Protests swept other south-eastern

towns yesterday. In Hakkari, crowds attacked a statue of Turkey's founder Mustafa Kemal Ataturk and smashed windows of several government buildings, Anato-

lian said. In the eastern city of Van, where police detained 200 peo-ple after one person was killed in a clash with troops on Saturday, protesters smashed public telephones and stoned some houses and offices, the agency

killed in clashes on Saturday

marchers. "Nowrouz (Kurdish New

Year) is shed in blood and the PKK is responsible," said Mr Sezgin, who blamed the Marxist guerrilla group for turning the New Year festivities into "a bloody uprising". Officials said 13 people were killed in PKK's Cizre strong-

hold near the Syrian and Iraqi borders as thousands of the group's supporters clashed with troops.

Mayor Hasim Hasimi put the

death toll in and around Cizre at 32 after troops confronted villagers trying to join a march. In nearby Sirnak city 35km

north-east of Cizre, a police-woman and 12 Kurds including a woman and three children ers wounded, officials said.

exports into floating storage last year, which twice helped push down the value of Iranian crude while accruing heavy charges for the storage vessels.

Petroleum Argus estimates that "setbacks in crude marketing" last year cost Iran \$3bn (£1.7bn) - a quarter of the average annual income generated by NIOC, itself 90 per cent of the country's foreign exchange earnings.

The decision to break up NIOC control over refining will open the way for private Iranian companies to take a bigger role in the country's petroleum products export business.

Iranian oil

monopoly

break-up

East Correspondent

By Mark Nicholson, Middle

THE NATIONAL Iranian Oil

Company (NIOC), the state oil

group, is to lose its monopoly

over the country's oil industry

after a critical internal review

conducted by President Hash-

emi Rafsanjani, according to a reliable industry newsletter

published today. Iran's eight refineries are to

be spun off as separate com-

mercial units from NIOC, leav-

ing the latter to concentrate on

oil exploration, production and marketing, an article in Petro-

The report also suggests that the future of Mr Gholamreza

Aghazadeh as oil minister has

been thrown into some doubt and will remain so until after

The internal review into

NIOC, which has held a monopoly over all Iran's oil

operations since 1973, followed

strong criticism of the state

company late last year for fail-

ing to meet domestic demand

for kerosine. The company has

also been criticised for not maximising foreign exchange revenues from crude export

sales and for failing to hedge

properly against last year's vol-

atile oil prices. The article bighlights a

costly policy of placing 40m barrels of its 2.4m b/d crude oil

Iran's elections on April 10.

leum Argus says.

faces

However, the article says that NIOC will regain control of the National Iranian Offshore Company and National



A Kurdish guerrilla signals to a comrade during weekend fighting in Cizre

Kurdish protests leave 45 dead

FIFTEEN people were killed in clashes between troops and Kurdish demonstrators in south-east Turkey yesterday, bringing to 45 the death toll in one of the worst weekends of violence in the region for years, Reuter reports from Diyarbakir.

Security officials said 10 people were killed and 20 wounded in the town of Nusaybin on the Syrian border as troops clashed with marchers. A curfew was declared in Nusaybin afterwards. In Yuksekova, on the Iranian

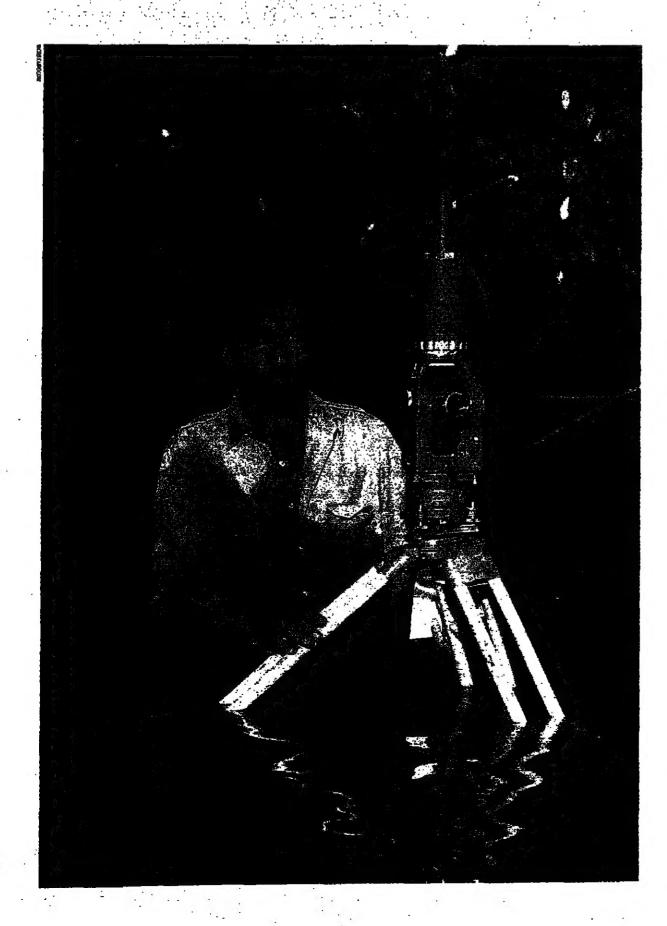
and Iraqi borders near Hakkari province, five people were killed and 32 injured when government forces clashed with a crowd rallying for Kurdish independence, the semi-official Anatolian news agency said

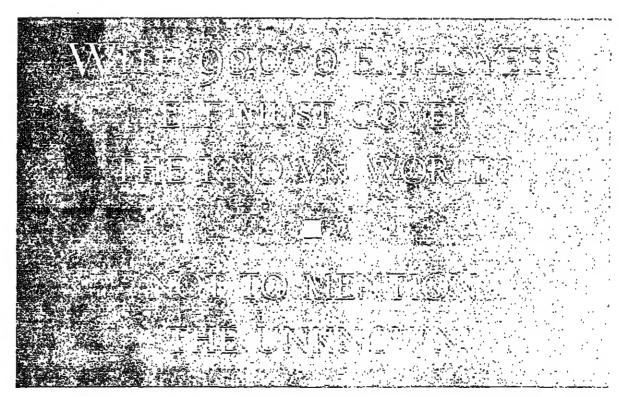
where a curfew was later

Interior Minister Mr Ismet Sezgin told state television earlier that 30 people, seven of them PKK guerrillas, were

were killed and at least 10 oth-Curfews remained in force in the towns of Cizre, Sirnak and

Iranian Tanker Company.





___espite our name, Elf's success is built on thinking big. We're the leading French industrial group and the 7th largest international integrated oil and gas company in the world.

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We drill for oil in 30 countries and under 3 oceans (not to mention under Paris).

And among our staff we have 60,000 people working in the chemical and pharmaceutical fields.

But we never miss a chance to seize new opportunities.

We recently became the first western company to sign exploration and production sharing agreements in the republic of Russia and Kazakstan.

Which means we will be the only company operating in two areas of 20,000 square kilometres each. Yet more unexplored fields to conquer.

elf aquitaine

OUR DEDICATION GOES FURTHER

Hong Kong's securities regulator to resign

By Simon Davies in Hong Kong

THE chairman of Hong Kong's stock market regulatory body, Mr Robert Owen, is to resign. The former merchant banker and diplomat who was brought in to set up the Securities and Futures Commission (SFC) in 1988 will leave on May 1, the third anniversary of the SFC's inauguration.

His departure coincides with a new phase for the Commission. After three years of forceful action the SFC has established itself as the watchdog of a stock exchange with a reformed governing council no longer controlled by vested interests

Mr Owen will be replaced by deputy chairman Mr Robert Nottle, one of the five original executive directors and a former senior operations director of Australia's National Companies and Securities

Three other original directors will remain, with Mr Ermanno Pascutto becoming deputy chairman. Director of enforcement Mr Gavin Eadie is to be replaced by the commission's legal counsel, Mr Gerard McMahon, while another internal promotion Chinese member of the

Mr Owen said there was sufficient continuity within the SFC to ensure there would be no negative impact from his departure.

The Commission is an accepted part of the scenery here. People understand what it is all about and it gets on with its job," said Mr Owen. But this involved a struggle in a community where a laissez-faire ethos has long

The SFC has survived vocal attacks from legislative councillors and prominent businessmen and put into effect the recommendations of Mr Ian Hay Davison in his critical 1988 review of Hong Kong's financial markets. The SFC went beyond the Davison recommendations undertaking a thorough reform of the Stock Exchange's ruling council.

terms of the international perception, I think it is fair to say that the 1987 cloud has now been well and truly dispersed," said Mr Owen, International confidence in the exchange was shattered after its temporary closure by the chairman, Mr Ronald Li, in

will see Mr Michael Wu the wake of the October 1987 becoming the first local crash. Mr Li was subsequently jailed for corruption.

Mr Davison had said "an inside group treated the exchange as a private club rather than a public utility for the general benefit of members, investors and issuers". Under the SFC reforms, the exchange's council was broadened in order to block the influence of vested

interest groups.

There has also been a large degree of ethnic tension in the dispute, with the expatriate SFC seen as an outside aggressor which did not understand the local market. Moves will be taken to redress the racial balance of the commission, with Mr Nottle's eventual successor likely to be a local Chinese. Mr Owen said the future

direction of the SFC would be towards market development and also towards moves to protect Hong Kong's long-oppressed minority

"I saw myself coming here to establish an organisation, implement the reforms and see them established with a reasonable degree of continuity. In that sense, the timing has worked out very



Iraqi minister Ahmed Hüsein at the Arah League meeting ARAB PLEA TO COOL LIBYA ROW

ARAB Leagne secretary-general yesterday appealed to western countries not to take hasty action in their row with Libya, writes our Middle East staff.

Mr Esmat Abdel-Maguid told an emergency meeting of the Arab League, called by Libya,

that he would hold extensive contacts with Mr Boutros Boutros Ghali, the UN sec-The US, Britain and France want UN sanctions against

Libya unless it hands over two

men suspected of the Lockerbie

in army to curb killings

PUNJAB'S newly elected chief minister vesterday called in the Indian army to help police crush Sikh militants who have shot dead almost 70 people in recent days, Reuter reports from Ludhiana.

Mr Beant Singh said two army generals and Punjab's chief would oversee the crackdown in the industrial city of Ludhiana.

The operation, with army and paramilitaries backing up police patrols use-to-house searches, began yesterday in Ludhiana.

Sikh militants, who are fighting for a separate homeland. have vowed to punish anyone who voted in the February 19 elections or who collaborates with Mr Singh's government.

Fewer Nigerians

Nigeria has 88.5m people, 20m ewer than estimated, according to its first accurate census, writes Michael Holman.

The combination of religious and regional rivalries, and the temptation for the state governments to inflate population figures to obtain a greater share of federal government revenue, meant that past counts ended in controversy.

The 1991 census showed 46.9m in the Moslem north and 41.3m in the Christian south.

Punjab calls | Catholic church rounds on Moi

By Michael Holman in Nairobi

KENYA'S Catholic bishops yesterday delivered an unprecedented attack on the government of President Daniel arap Moi, blaming it for the recent spate of violence in which more than 60 people have died.

The criticism, in a pastoral letter read to congregations throughout Kenya, reflects growing political unease, accompanied by doubts about Mr Moi's commitment to a multi-party system. Last November western donors made new aid to Kenya conditional on economic and politi-

Last Friday the government responded to the fighting by banning political meetings. Opposition leaders claim that the government instigated the clashes, seeking a pretext for a clampdown on dissent and postponement of multi-party

In their letter, the bishops dismiss claims that fighting in western Kenya, mainly between Mr Moi's minority Kalenjin tribe and Luo and Luhya ethnic groups, has been caused by land disputes or tribal rivalries:

Nor do they accept the government's suggestions that the conflict is a result of last

ban on multi-party politics. Instead the bishops suggest that the conflict "is all part of a wider political strategy" involving "well-trained arsonists and bandits" who have been "transported to the scenes of crime from outside the area". The letter adds: "There has been no impartiality on the part of the security forces. On the contrary, their attitude seems to imply that orders from above were given

on particular ethnic groups. It is difficult for the govern-ment to exonerate itself from the responsibility of these violent clashes."

in order to inflict injuries only

The letter also criticises "high-ranking politicians, declaring certain zones to be exclusively for the [ruling] Kanu party". The result is that people have been "forced out of their schools, jobs, houses, and even from their land".

The bishops express concern about the "lack of impartialtty" in radio and television coverage, and condemn civil ser-vants who refuse to license opposition meetings.

There was no immediate government response to the letter, but President Moi, addressing a meeting yesterday in Chebilat, north-western Kenya, said that the government was concerned by the violence.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

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t Japan and itsly (value series deflated by OECD using CPI). Refers to total retail sales except France and itsly (major outlets only) and Japan

Unemployment cost of reducing inflation, 1980-88

Average annual increase in the unemployment rate: The slope of the dashed lines measure each country's "sacrifice ratio", the ennual employment loss required to re inflation to its 1980s trough • UK 1987 Reduction in the rate of inflation between 1980 and year inflation troughed

Unemployment side-effects of inflation convergence

NO government would have found it easy to put an optimistic gloss on last week's UK unemployment and inflation figures. Unemployment has now risen by over a million since the recession began, yet both wage and underlying price inflation rates remain unsustainably high.

The Conservative party's labour market reforms were supposed to make the labour market more "flexible". At the microeconomic level they have succeeded. Reducing the power of national trade unions, removing restrictions on the ability of employers to hire and fire and encouraging decentralised pay bargaining have increased the variation in wages by age,

skill and region. Yet these changes do not seem to have reduced the unemployment cost that the economy must pay to cut aggregate wage and price inflation. The chart shows the average annual unemployment cost that OECD countries paid in the 1980s to reduce inflation to their lowest point: the steeper the line, the greater the sacrifice

in terms of lost jobs needed to reduce inflation by 1 percentage point.

The UK "sacrifice ratio" implies that in the 1980s a 2 percentage point drop in inflation required unemployment to rise by 1 percentage point a year. This ratio is above average for OECD countries and much higher than in the US and Sweden. The government reforms do not seem to

have cut the UK sacrifice ratio in this sion. Retail price inflation has fallen by 61/4 percentage points since its November 1990 peak while unemployment has risen by 3.3 percentage points on the OECD definition, leaving the sacrifice ratio unchanged. The fall in underlying inflation has been more modest.

Wage inflation has fallen at an even more sluggish pace. Membership of the European exchange rate mechanism means that average earnings cannot grow faster than in the UK's main European competitors - perhaps 5 per cent or less a year - without further eroding the competitiveness of UK exports, unless manufacturing productivity also grows faster. But after six quarters of recession, the underlying annual rate of UK wage infla-tion is 7% per cent, a fall of just half a

percentage point in six months. Unemployment will have to rise above 3m before the adjustment to the ERM is complete. In the 1980s, OECD calculations show that the annual rate of UK wage inflation fell by 0.3 percentage points for every 100,000 jobs lost. With the sacrifice ratio unchanged, reducing wage inflation from 10 per cent to 5 per cent will require a rise in total unemployment of 1%m com-

pared to a little over one million so far.

The longer this wage adjustment takes within the ERM, the more export competitiveness will be eroded and the harder the adjustment becomes as the latest OECD report on the Spanish economy indicates. Average earnings in Spain rose by 9 per cent in 1991, despite an unemployment rate of 16 per cent, raising Spanish export prices and increasing the trade deifict.

Why is reducing the going rate of wage

One reason is the unco-ordinated and partially decentralised system of wage bargaining in both countries. Sweden has a highly centralised wage bargaining with powerful unions and employers which together set the going rate of wage increases. Sweden's sacrifice ratio is very low. The US has weak unions and almost no collective bargaining; its sacrifice ratio

is similarly low. The UK labour market reforms of the last 12 years ago have left the UK, like Spain, in the middle: little employer co-ordination, relatively powerful plant level unions and a desynchronised wage round all make it hard for employers to reduce their their wage settlements below the going rate. The rational solution is either more co-ordination, as Labour appears to be offering, or more union-bashing from the Tories. Here is one area where a middle of the road compromise would be inferior.

Edward Balls



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Every operating theatre contains a hidden risk - bacteria. They can jeopardize the most careful surgical work. Despite high standards of hygiene, painful, sometimes potentially fatal, wound infections still occur in more than 5% of all operations. performed today. This conclusion was reached on the basis of investigations carried out in the USA.

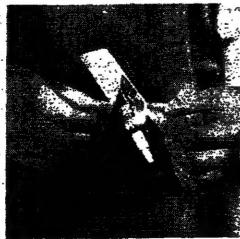
On the other hand, surgeons are also at risk if, for example, they accidentally injure themselves with a scalpel while operating on an HIV-positive patient. In such cases the danger of infection is, naturally, high. Thanks to Du Pont's development work, however, we are now able to control these risks.



SONTARA is a spunlaced fabric specially developed by Du Pont and consisting of a blend of polyester fibre and woodpulp. This fabric forms the basis for operating gowns and drapes available from manufacturers such as Mölnlycke and Baxter. Unlike conventional cotton operating gowns and drapes, SONTARA provides a considerably improved barrier against bacteria, a fact confirmed in a comparative test performed by Prof. Werner at the University Clinic of Mainz. Another advantage of SONTARA is that its special surface treatment is liquidrepellent. Consequently, surgeons and theatre staff are protected from germs transmitted through the blood. Moreover the use of SONTARA operating gowns and drapes means that 12 times fewer particles are released through linting than by conventional textiles. During surgery, such lint particles may act as a transmission medium for micro-organisms and result in infection. Non-wovens provide a higher standard of safety because they



are less prone to damage during transit or washing which could put their sterility at risk. The use of SONTARA made it possible for instance, at the Duke University Medical Center in Durham, to reduce the post-operative infection rate from 6.51% to 2.83%. An increasing number of clinics in Europe are placing their trust in operating gowns and drapes made from SONTARA.



Sterile packaging made of TYVEK is tear-

Tyvek for permanently sterile packs. TYVEK is a spunbonded material made from microscopically fine, low-pressure

endless polyethylene fibres. Its special properties make it ideal for sterile packaging: it is not only tear-and punctureresistant, waterproof and lintfree, but also impenetrable to bacteria. Since the packs are heat-sealed rather that adhesivebonded, they can easily be opened. At the same time TYVEK is perfectly suitable for gas or gamma-ray sterilization which always takes place after closure. TYVEK's structure prevents bacterial penetration but allows gases to enter easily and escape again quickly.

That is why leading manufacturers of medical equipment, Abbott, Baxter, Fresenius and Viggo-Spectramed, for example, use sterile TYVEK packs to protect their products.

Kevlar operating gloves protect

surgeons.

For the same weight, the para-aramid fibre KEVLAR offers five times the tensile advantage, because they are so soft and flexible they do not limit the surgeons's dexterity and skill.

KEVLAR protective surgical gloves are already in widespread use in America. In addition to use by surgeons and their assistants, these gloves are also a valuable contribution towards the safety of dentists, accident and emergency personnel and to others in areas of risk.



Du Pont innovations

SONTARA, TYVEK and KEVLAR are developments of Du Pont's Engineering Fiber Systems, as are NOMEX', TEFLON', TYPAR', CORDURA', ZEMDRAIN' and high tensile stength NYLON. These products never cease to create new potential in a variety of areas ranging from household applications to space travel. Du Pont is one of the leading research-oriented companies in the world; in Europe alone, it employs 21,000 people and has already invested DM 35 billion.

Du Pont de Nemours International S.A. **Engineering Fiber Systems** P.O. Box 50 CH-1218 Geneva, Switzerland

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resistant. This fibre has enabled the most

amazing developments in a variety of

purposes. A special manufacturing

process is able to produce seamless

operating gloves from KEVLAR. They

represent a significant safety factor in

respect to pathogens, in that they help

to cut through them. The disposable

gloves, packed in sterile conditions, are

purpose-designed for surgical require-

ments. They are worn between two thin

Latex gloves. Unlike other types, these

KEVLAR surgical gloves offer an important

protect the surgeon from accidental cuts.

Even a scalpel, if used normally, is unable

fields. Now it is also in use for medical

Strategists target the marginals

By Gareth Smyth

AS THE election campaign moves into its second week, party strategists believe that the reaction of voters to their tax proposals could be decisive in crucial marginal seats.

Conservative officials have set out to make income tax an electoral issue, and the March 10 Budget, featuring a lower rate of tax for the first £2,000 of earnings, signalled the start of

By Roger Matthews

MOST voters in the suburban

Manchester constituency of

Davyhulme think of them-

selves as middle class but, in

terms of personal income, not

quite the same middle class of London and south-east

England. The perception is

important and contributes to

the absence of any evidence

that the tax proposals of the

three main parties will be a

Davyhulme and the Stretford

seat that preceded it has been

held for 22 years by Mr Win-

ston Churchill. To wipe out his

8,199 majority Labour needs a

swing of 8.1 per cent. It is just

about the last seat Labour

needs to put Mr Kinnock into Downing Street with an overall

Locally the contest has yet to

be fully joined. Mr Churchill

was at his son's wedding at the

weekend and Ms Jackie Pear-

cey, the Liberal Democrat, only

had her adoption meeting on

Friday evening. As elsewhere

in the north-west, Labour and

its Davyhulme candidate Mr

Barry Brotherton appear to

The constituency ranges

from the affluent avenues of

Sale through swathes of three-

bedroomed semi-detacheds in

Urmstop and Flixton to the

council and terraced housing

of Partington and Carrington.

Mr Churchill says differences

tive tax policies will be an

important element in his cam-

paign, Ms Pearcey is confident

that the Liberal Democrats'

plans for 1p on income tax to fund education is a winning

policy, while Mr Brotherton,

leader of the Trafford Labour

group, says no-one has raised

with him the issue of his par-

ween Labour and Conserva

have made the fastest start.

decisive issue on April 9.

A middle that

holds the key

for three sides

responded by proposing to abolish the earnings ceiling on National Insurance contributions and setting tax rate of a 50 per cent for higher earners. It claimed that eight out of 10 families would benefit from its package, which includes higher tax thresholds, child benefits and pensions.
This concentration on the

tax issue is risky for both main

ty's tax plans. He thinks most

of those who would have to

pay more tax under Labour are

Mr John Smith's assurance

that eight out of 10 taxpavers

would be better off as a result

of his Budget proposals appears broadly to have been

unchallenged, and the majority

of people in Davyhulme would

identify themselves as part of

A sales manager at a com-

pany in the Trafford Park

industrial estate earning what

he considers to be good salary

of £19,000 said he worried less

about Labour's plans than the depth of the recession and the

threat of redundancy. "I

reckon it will hit people much harder down south," he said.

they would vote Tory reluc-

tantly because they could not

He and several others said

Davyhulme

majority 6, 199 Labour requires

8.1% swing to win.

57% of voters

are middle class

17% managerial

Conservative.

Conservative voters.

that 80 per cent.

Labour's shadow Budget that people say they are prepared to pay higher taxes for better public services. For Labour, the risk is that they will be branded as the party which increases taxes. In order to assess the impact

of the rival proposals, FT reporters have visited three marginal seats in different regions where the Labour candidate came second in the last

Brentford and Isleworth in London, Birmingham Hall

Davyhuime in north-west England look typical of marginals within their regions.

They were selected because they are likely to reflect the social make-up of marginals in these three regions - which contain 63 of the 94 Tory seats Labour would probably need to win an overall majority.

A rough guide to how typical the marginal seats are of their region can be drawn from the 1981 census on "socio-economic groups". In the north-west, London and the west Midlands, the marginals seem to contain more of the higher-income groups than the regional average. The east Midlands marginals contain fewer high earners. So the marginals appear to contain a bigger proportion

Price tag on the promises,

than the country in general of voters likely to be disadvantaged by Labour's tax propos-

By Paul Cheeseright, Midlands Correspondent

THE CONSERVATIVE offensive against Labour tax policies has been, in the case of Birmingham Hall Green, rather like firing cannonballs into the desert. The sand pays little attention.

electorate

Even Mr Andrew Har-greaves, seeking to retain the seat for the Conservatives, would go no further than saying that "the issue is there lurking in the background". At the moment, "everything is a switch-off", he added. "The problem is getting the electors

This makes the issue easier for Labour to handle, but Ms Jane Slowey, the party's Hall Green candidate, observed that the tax issue comes and goes: "It's not the issue it was four

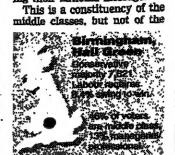
or five weeks ago."
Mr David McGrath, the Liberal Democrat candidate, noted that the two main issues in the constituency were the recession on one hand and law and order on the other.

Hall Green has its own political agenda running parallel with the national debate. This is a reflection of the local party balance and of the nature of the constituency. Mr Hargreaves polled 44.9 per cent of vote in the 1987 election. But, between them, Labour with 28 per cent and the Alli-ance with 27 per cent gained more votes.

"Andrew Hargreaves has a political rather than a personal following," said Mr Carl Chinn, the Birmingham University community historian, who lives in the constituency. This implies that his political future depends not only on how the anti-Conservative vote splits but also on the degree of success the Tories have in conveying their national message.

Candidate finds

'switching off'



the best-off. It is a constituency of upwardly mobile skilled workers who have tended towards the Conservatives, but with a strong sprinkling of Irish people, who are tradition-ally Labour voters.

While in Billesley and Brandwood there is a 50-50 split between owner-occupied and council housing, in the Hall Green ward owner-occupation jumps to about 80 per cent. Unemployment levels have consistently been beneath the city average, but have been ris-

"In any Birmingham constituency worry about cars is more crucial than tax," said Mr Chinn, reflecting the west Mid-lands preoccupation with the future of the motor industry.

The tax issue comes forward indirectly. Concern seems to focus less on tax levels as on obtaining the best value for

Quotes of the day

It is the politics of the stone age, the politics of envy.
Economic illiteracy with Economic illiteracy with a dash of calculated malice intended to wound, intended

> John Major, attacking Labour's tax proposals

We have not gone through everything in the last eight years in order somehow the day after the election to trip into the nearest telephone box, tear off our trenchcoats and bare our chest with a big "S" on the front of it

Neil Kinnock to businessmen in London

Clear evidence that the Tories have got to be pretty

Paddy Ashdown on the involvement of Margaret Thatcher in yesterday's Tory candidates' raily

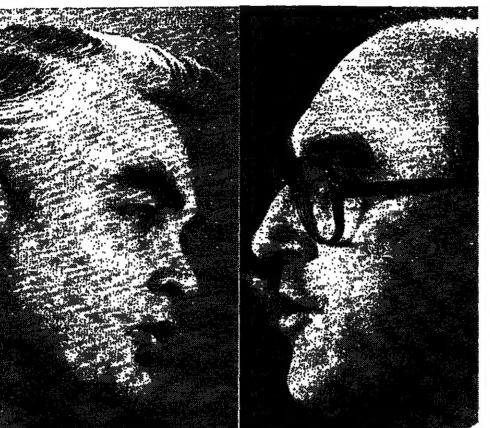
No. we've not said that, John Smith hasn't said that and nobody would say that Roy Hattersley asked on TV-am's Frost on Sunday whether in the next parliament the top rate of income tax would not under any circumstances go above 50p

The position is quite clear -50 per cent would be the top rate under the next Labour

government
John Smith on BBC1's On the Record, when asked about Roy Hattersley's

John Major, the Tory leader, is here with me in Downing Brian Walden introducing his LWT interview yesterday with the PM

It may be a David-and-Goliath task but the opinion polls of the day never gave David much of a chance David Pidcock, leader of



Norman Lamont: Labour's shadow Budget is a con. For the minimum possible money Mr Smith has created the illusion

John Smith: In this Budget we are starting to take back something for the average taxpayer and the average family'

Mixed make-up in west London match

By David Owen

A BLOOD-curdling scream startles drinkers at the Barley Mow public house in Turnham Green, west London.

contemplate the prospect of Mr Kinnock in Downing Street. "Aaargh! We're surrounded by Tories," exclaims Mr Mick Ms Pearcey, a radiological safety analyst with a PhD in Carroll, a chef, spying Mr Nirj applied nuclear physics, thinks Deva, Conservative candidate for Brentford and Isleworth, is the commitment of the Liberal Democrats to fund eduand making the sign of the crucifix. cation through an increase in

vote Labour because of its tax

plans. "Labour have got a history of raising tax. They would

discourage people from doing

Labour into third place. "There is absolutely no enthusiasm among dissatisfied Tories to vote Labour. It would be a big mistake to regard this seat as a Tory-Labour mar-

tax that will help her to push

On such anecdotal evidence, it is far from certain whether the tax and National Insurance plans outlined in Mr John Smith's shadow Budget will be the cornerstone of a Labour victory in London or a mill-

stone around its neck. Brentford and Isleworth, held for the Tories by Sir Barney Hayhoe since 1974, is typi-cal of the seats in the capital Labour must win if Mr Neil On the next bar-stool, Ms Kinnock is to secure the 20-Vesna Novakovic, a financial seat majority he predicts on consultant, says she will not

Requiring a swing of more than 7 per cent to change hands, this exceptionally mixed constituency lies about 20th on Labour's list of target



seats in the capital. But Labour will have to persuade some of the seat's professionals and middle managers - a fifth of the electorate - to vote against their wallets. The focus on tax will certainly touch off a testy battle

Labour candidate, recently received from campaign HQ figures purporting to show the effect of the shadow Budget proposals on London marginals. According to these, almost 88 per cent of the Brentford and Isleworth labour force would gain from the plans.

of statistics. Ms Ann Keen, the

Circulars bearing the imprint of Conservative Central Office tell a different story. They say Labour's tax plans would cost the average male full-time worker in London nearly \$4 a week.

Ms Keen does not expect to be significantly handicapped by Mr Smith's proposals, although she accepts "there will always be some people who don't want to pay more." Mr Deva intends couching his tax-related arguments in broader terms than just the effect on constituents' individual pay packets. "Labour's tax plans would

take money out of a consumer recovery," he says. For the Liberal Democrats, Ma Janet Salmon hopes Mr

Smith's tax plans will be unnalatable enough to prompt those voters who have decided it is time for a change of government to turn to her. In addition the constituency's swelling ranks of unemployed say they would "love to be in a position to pay tax", she says.





Smoke-filled room: nightclub owner and ecologist Philip Andrews, who is standing as an independent, accuses Chris Patten of 'party self-interest'

Field Marshal Patten calls in big guns

emporium of Bath boasts 800 shops serving a population of just 85,000. Pure magic. It is the Mecca for retailing outside London," enthuses Ms Eileen Walkington, the breathless Lancashireborn director of the city's chamber of commerce.

The political opponents of Mr Chris Patten, the sleepless-eyed chairman of the Tory party and Bath's MP since 1979, are trying to turn this centre of shopping pilgrimage into a Conservative graveyard.

In 1987 Mr Patten had a slender 1,412 majority over the Social Democrats. He now faces a tough battle with a broad coalition of anti-Patten campaigners, egged on by a vociferous group of Bath traders complaining about high rents and rates.

Mr Patten is hoping that this month's Budget moves to ease the burden of the uniform business rate (UBR) will defuse the

David Marsh on the Tory chairman's battle in Bath

Bath shopkeepers' revolt. But he will call on "heavy artil- has clearly undermined the as the Conservative party's lery" from headquarters image-maker, as well as the man responsible for introducing the poll tax to England and Wales during his previous Job as environment secretary. Mr Patten is vulnerable to the anti-Tory swing across southern England.

Mr Don Foster, the studious 44-year-old Liberal Democrat candidate, is working flat-out to woo the shopkeepers. Buoyed by early canvassing returns, Mr Foster says he has "difficulty containing his exuberance" about the prospects for a Lib Dem victory.

Mr Patten, who rushes to Bath every afternoon after mornings spent in London masterminding Tory strategy, is confident of weathering the challenge. He claims he will win, with an increased majority. Field Marshal Patten says

including, probably, Mr John Major - to back his electioneering. Mr Patten may spend his mornings in the capital heap-

ing invective on Labour, but the three-cornered fight in Bath means he must butter up the local Labour candidate in the afternoons. He is relying on Ms Pam Richards, a part-time social worker who has been a city councillor since 1980, to make inroads into the Liberal Democrat vote.

Ms Richards has little hope of taking Labour above its third place in 1987, but she refuses to be distracted by suggestions that Labour supporters should transfer their vote to the Liberal Democrats.

The three-year controversy in Bath about the effect of high commercial rents and the UBR

Tories' reputation as the shopkeepers' party. Mr Eric Snook, a toy-shop owner and Conservative city councillor, says the criticism from the retail trade is overdone. But he admits that commercial rents in the city centre - a third of which are paid directly to the council have been "hyped up", contri-buting to a rise in business

failures. The retail protestors say both rents and rates are set at values fixed in 1988-89 at the

peak of the boom, and are still rising in spite of the downturn. Mr Philip Andrews, a leading member of BARRB, a loose grouping of Bath businesses fighting rent and rates increases, is standing as an independent. A 38-year-old ecologist and nightclub owner whose father worked for Mi6. he says Mr Patten has been

unable to act on the issue because of "party self-interest." Mr Robert Mimmack is director of property and engineering services at Conservative-controlled Bath council, whose estates department is the largest landowner in the city centre. He admits that the £8m annual receipts from commercial rents - 15 per cent of total city revenues - help keep Bath's poll tax bills down, a crucial factor helping Mr Patten. One effect of soaring overheads, as well as general problems caused by the recession, is that 8 per cent of roughly 600 shops in the city centre are empty, Mr Mimmack says.

Bath Tories say Mr Patten's jocularly professional campaign will blunt his opponents stings. None the less, national and local factors have increased the risk that, on polling day, the Conservative party chairman could become another victim of Bath's wave

Cheer for Kinnock in the fine print

By David Owen

THE FINE print of this weekend's polls will have gone down just as well at Labour's Walworth Road headquarters as the headline figures show-ing a Labour lead in four cases. out of five.

The party will have been heartened by its generally improved showing for economic competence, by evidence that Mr Nell Kinnock is making up ground on the other leaders, and by indications that voters see the National Health Service as the most important issue.

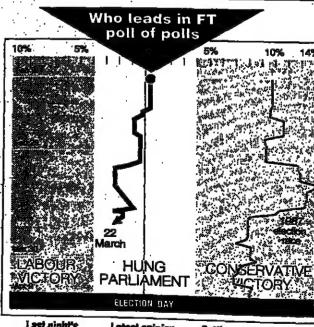
The Conservatives will be concerned by the finding in the Mori poll for the Sunday Times that tax is well down the list of decisive issues. But they will take heart from

suggestions in yesterday's NOP survey for The independent on Sunday that an increasing number of voters think Labour is making promises the country cannot afford.

For all that, Mr John Smith's shadow Budget appears to have bolstered his status. In the Observer/Harris poll 40 per cent thought Mr Smith the best choice for chancellor, compared with 27 per cent for Mr Norman Lamont. A Mail on Sunday/NOP survey gave Mr Smith a 32 percentage point lead over his opposite number.
On economic competence,

Labour scored its first positive rating in the independent survey since the newspaper's pollsters started monitoring the subject last May.

Overall, 47 per cent of those sampled regarded Labour as very or fairly competent on the. economy, and 46 per cent said they were not very or not at all competent - compared with 43 per cent and 50 per cent respectively in the previous week.



(MOP / Mail on Senday) La Find date 20-2) March. (fin)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parise leads at stroker points in the last two campaigns. The middle line marks level-pegging, if the back fine moves left, Lebour leads, The Torias lead if it goes to the right. The Conservatives scored plus 5 percentage points on the same measure. The Sunday

centage point lead over Labour on managing the economy. A Sunday Express/ICM poll gave Labour a 1 percentage point lead over the Tories on the question: "Which party will . make your family better off?" . Labour will be less pleased with the Independent's finding that 56 per cent of respondents

Times gave the Tories a 9 per-

thought it would "put up income tax sharply for people on average earnings." But 37 per cent did not think so - up from 30 per cent a week earlier.

Mr Kinnock still lies third in the popularity stakes among the party leaders but has picked up 4 percentage points according to the Mail on Sun-day, to trail Mr John Major, the prime minister, by 16. . In Scotland a Mori poll

showed a 3 percentage point drop in support for the Conservatives compared with a week ago and a 3 percentage point rise in backing for the Scottish National party. It put Labour on 43 per cent (up 1), SNP on 27 per cent (up 3), Conserva-tives on 20 (down 3) and the Liberal Democrats on 9 per cent (down 2).

 A single constituency poll on Mid Staffordshire for the Birmingham Post indicates Labour could hold the seat, which it won with a 21-3 per cent swing in a March 1990 by election, with an increased

A poll in the Wallasey, Merseyside. constituency where Mrs Lynda Chalker, the overseas development minister, is defending a majority of just 279, showed the Conservatives trailing, but by only 1.2 per-

Major broadens tax attack

notes of

TORY CANDIDATES must ram home the message that Labour's manifesto programme would cost the average taxpayer an extra £1,250 a year. Mr John Major said yesterday as he broadened his attack on Labour's tax plans.

Speaking at a London rally of candidates, Mr Major high-lighted both the shadow Budget and the Tories' calculation that Labour's programme would cost £38bn

He ridiculed the small amounts for most gainers under Labour's proposals, and called the tax increases to pay

for them "a systematic smash-and-grab raid on the independent, the hard-working, the middle-income families of demned Labour's Budget as "economic illiteracy with a dash of calculated malice; intended to wound, intended to bite. We'll make sure it's doomed to failure."

Mr Major challenged Mr Nell Kinnock to set out his own costed programme. "Stand by your promises - or withdraw them. Dig deep behind those pledges and come up with the tax, the whole tax and nothing

He also touched on a traditionally strong Tory area law and order - as he pledged to tackle property crime as Britain". His audience it's never been tackled before" applauded strongly as he con- and gave a bullish account of and gave a bullish account of Tory achievements and promises on public services, particularly education and health.

In a vitriolic attack on Labour's tactics on the health service, he denounced Opposition "friends" of the NHS as "parasites who swoop on human error and personal tragedy, and can scarce disguise their relish as they do so". ... In a television interview, however, Mr Major sounded

economic growth for public the unemployed "If you really spending and using it for tax care about the people across spending and using it for tax Questioned by Mr Brian Wal-

den on London Weekend Television, Mr Major argued that lower taxes belped public services by "incentivising" the doctors, nurses and teachers who worked in them. Spending on public services was due to rise by more than £5bn next year, Mr Major said, while the Budget tax cut would cost only £1.8bn and was directed to people on modest incomes, many of whom in the caring services. Mr Major also rejected the suggestion that the govern-

between using the product of ment was uncaring towards this country...you've got to take the decisions now to get rid of that cancer of inflation and have the right economic circumstances for growth in the future," he insisted.

He defended the flat-rate principle of the poll tax, which is being replaced by the council tax. On the government's original estimates of the charge at \$224, it would have been fair because of the contribution to local government spending from the "sharply

devised a cunning plan to foil his evil designs and stop him from becoming prime minister. They have unleashed the Dogs of

Mr Neil Kin-

nock must be

quaking. After

much thought

and many stra-

tegic meetings

the Conserva-

Yesterday we had the toothy snarls of Mrs Margaret Thatcher, a pensioner. In November 1990 her presence was regarded as so damaging to the Tory cause that she had to be put down. She was wonderful in 1979, but is she right for 1992? We also witnessed another lap in the longdistance run of a sleek if aging greyhound, Mr Michael Heseltine. He is still well able to stand on his hind legs, pose

as Pointer indicating the Labour quarry, chase the Red Fox, yowl and growl, and perform wondrous tricks. These may not frighten the enemy, but they are painful reminders to Conservatives that if he had become Top Dog Mr Kinnock would have been barked off the premises long ago. Mr Douglas Hurd is also to

be let fly to protect the wallets of us highly paid folk from Mr Kinnock and his gang of pick-pockets. Oh my wallet! Oh my chequebook! Oh my luxury holiday for two in the villa of my choice! Doomed, doomed, doomed. Mr Hurd has pedigree, breeding, and good Foreign Office training. He is a classy canine. But a Dog of War? The nearest young-ish hound to approach such a definition is Mr Kenneth Clark, a jowly bulldog. He can be tenacious. Yet for some reason that I cannot quite understand he fright-ens floating voters.

truth is that the great Conser-vative cry that went up towards the end of last week was a yelp of despair. The call was for a tougher brand of rhetoric. To achieve this the party's more forceful speakers were to be asked to speak forcefully. The underlying, hardly spoken, meaning was

Joe Rogaly

Ready for a dog fight

Mr John Major. I am not so sure. His quiet, patient decency - or his new "tough" manner - may yet come through, if slowly. The question is, will it make any

that Tories were losing confi-

dence in the effectiveness of

If John Major is now broken, it will be by the Treasury's hand

difference? If Mr Major loses this election it will be because of wrong strategic choices he made in November 1990, when he decided not to risk an immediate contest, and again on several occasions last year, when he missed further auspicious dates. He let his good chances go because, as a man made by the Treasury, he placed his faith in the Treasury and its forecast of better times this spring. If he is now broken, it will be by the Trea-

This is not to say that the prime minister is a strong campaigner. He suffered piteously under the vicious onslaught of Mr Brian Walden on London Weekend Television yesterday. Mr Walden hit him where it hurts most - in his carefully cultivated, and sincerely based, "caring" image. The interview put Mr Major on the defensive, and kept him there. He defended himself, with good

That's enough dogs. The words but poor body-language against the charge that voters "don't trust you on the ... National Health Service ... ". He recoiled from the assertion that people want all the fruits of growth to go to public services, and none of it to tax cuts. He was obliged to review the unfortunate remark of Mr Norman Lamont that rising unemployment and the recession were a "price well worth

paying" to get inflation down.
Mr Walden's techniques are well-known. Mr Major should have been coached in counteroffensive tactics; he might have got in some positive statements about his own party and some negative ones about the opposition. He was too polite. The Walden steamroller flattened him. It was unfair, but if you want to lead a great party to victory you must know how to overcome unfairness.

The opposition's superstar, Mr John Smith, is a master of this art. Interviewed more softly by Mr Jonathan Dimbleby on the BBC than was Mr Major by Mr Walden, the shadow chancellor easily maintained his dazzling performance of the previous week The principal charge against him - that Labour was not as serious as are the Tories about bringing down inflation - was answered in words that fall to pieces when the cold text is deconstructed, but that stood up well as part of his powerful television image. He easily brushed aside a silly intimation by Mr Roy Hattersley not one of Labour's assets that the top rate of income tax might be raised even further than Mr Smith's 50 per cent. He was grateful to Roy for try ing to give him a little flexibility, but 50 per cent it was, said Mr Smith. Then the St Bernard of the Labour party continued his rounds.

Ashdown pushes education up agenda

By Reiph Atkins

THE LIBERAL Democrats increase in education spending by hinting that it could become a condition for their

support in a hung parliament. Mr Paddy Ashdown, party leader, was meeting strategists last night to endorse the addition to the Liberal Democrats' terms for a coalition. A party political broadcast this week is seing reworked.

The Liberal Democrats believe their pledge to raise income tax by 1p to fund education is winning support among voters. One official said the party was determined to present its proposals with

By setting extra education spending as a pre-condition for its support in a hung parliament, the party may raise edu-

cation as an issue. Meanwhile, Mr Ashdown attacked suggestions that the Tories may forge a deal with the Ulster Unionists in the

event of a hung parliament.
It would be "utterly discreditable" and would jeopardise moves towards peace in Northern Ireland. His party would have nothing to do with such a

Speaking on BBC Radio, Mr Ashdown said proportional representation at Westminster was the essential pre-requisite for his support in a hung par-liament. After that, there would have to be an agreed programme. "Essential to that programme for government will be a commitment to invest in education of the sort that we have made," he said.



the first week of the election campaign and may well lose the election itself if they do not step up the fight. Some of the comments have been quite sharp. Andrew Neil, the editor of The Sunday Times, wrote a signed editorial in his paper yesterday headed Round one to Labour

It said: "The Tory performance so far has been dismal. It must now have dawned on the prime minister and even the most complacent of his advisers just what a weak hand they have dealt themselves. They were warned not to go into the election with the present lacklustre team. and especially the present chancellor." (The Sunday Times has long campaigned against chancellor Lamont.)

Other Tory newspapers have come to much the same conclusion, urging John Major to take off the gloves. Old loyalties to Margaret Thatcher are reasserting themselves in the The Sunday Telegraph and

Sunday Express. There may be a note of panic, too, about the role of the Tory press under a Labour government. The Murdoch group, with its five titles, is vulnerable to Labour's promised attack on concentration of ownership.

It would not be unknown for a Murdoch title to switch sides Murdoch's Scottish Sun has already declared for an independent Scotland and his papers outside Britain have proved politically flexible. In England, only Today has hedged its bets so far.

In the Tory party, the panic runs deep. Remember "wobbly Thursday" in the last general election? The Tories suddenly thought that they might lose and started quarrelling among themselves. It was a false alarm. This time there is rather more justification. If they do lose, the inquest will be horrendous.

Change of view Peter Mandelson's exile to the

north-east, where he is fighting to become MP for Hartlepool, is not preventing him from playing kingmaker, a role he pursued vigorously when in communications strategy.

Mandelson's regular column in The People vesterday had kind words for Harriet Harman, a Labour health spokesman, and Tony Blair, shadow employment secretary. whom Mandelson bizarrely thinks emerged "entirely unscathed" from a drubbing on the minimum wage with a nursery owner on the BBC's Election Call.

Even more striking is



Mandelson's plaudit for Bryan Gould, shadow environment secretary, whose scaring reputation Mandelson quietly helped contain in the late 1980s, when the Kinnock entourage thought him over-ambitious and loose of

Out of area Scotland is once again acting as a proving ground for brave young Sassenach Tories who have not yet earned a winnable

seat in England. The honour of fighting Glasgow Provan, one of the safest Labour seats anywhere. goes to 26-year-old Andrew Rosindell, from Romford, Essex. In 1987 the Conservative candidate - a Londoner -narrowly beat the Alliance for third place with less than 8 per cent of the votes. Labour took 73 per cent.

This time fewer of the mini-biographies in the guide to Scottish Conservative candidates betray an English provenance than in 1987, but the birthplace and schools of some hopefuls are conspicuous hy their absence.

New wave

The Islamic Party of Britain opens its general election campaign today with a promise to take power away from private banks, create a national credit office and lower tax brackets in line with the Channel Islands.

The party will contest five constituencies where ethnic minorities form around 20 per cent of the electorate - the three sears in Bradford, West Yorkshire: and Streatham and Vauxhall in London.

Charitable

Controversy continues over last week's incident in Bolton, when John Major was jostled by a crowd be later dubbed the ugly face of Labour".

Norma Major, writing in yesterday's Sunday Express, says she paused to take photos of the jostlers: "They were not very photogenic. I wonder if they will bother to vote!" The ugly face of Labour not bothering to vote?

e day defensive on the balance Thatcher storms back to campaign fray

Philip Stephens sees the former prime minister relaunch the Tory bid for a fourth term

T WAS NOT a day for sub-tleties. Behind in the opin-ion polls, the team running Mr John Major's general election campaign needed all the help they could get. So Mrs Margaret Thatcher, the leader the Conservatives had unceremoniously dumped, was reenlisted to back her successor's

Their joint appearance at a gathering of candidates in London was not a panic reaction to the opinion polls. It was agreed weeks ago that the party needed a public display of unity to heal the remaining wounds among its activists.

Few guessed then that her re-emergence centre-stage would coincide with a relaunch of the Conservative campaign in an abrasive style much more suited to her political image than to Mr Major's.

After 16 months of caring Conservatism designed to distance Mr Major and his colleagues from their predecessor, it has taken 10 days of uncertain campaigning to persuade them that the way to win the

election is Mrs Thatcher's way. again as the party of socialists and pacifists, Mr Neil Kinnock as the unprincipled, untrustworthy leader who will say anything to get his hands on the levers of power. An elector ate turned sullen and resentful by the poll tax and economic recession must be persuaded -as in 1987 - that Labour's tax and spending plans would rob

So, as Mr Major and Mrs Thatcher sat on the same platform, cabinet ministers who began long ago to speak of her in hushed, embarrassed tones. were promising to harness again her aggressive campaign-

ing style. Mr Chris Patten, never "One of Us", listed her achievements in such glowing terms that many in the audience must have wondered why she was not still prime minister, "Margaret's government," the party chairman declared, "trans-

Face from the past: John Major and Chris Patten welcoming Margaret Thatcher in London yesterday formed Britain in the 1980s. ing that could be branded disparty managers abandoned the April 9. Her aides said yester-And no one should ever forget

Mrs Thatcher lived up to herself. In a passionate denunciation of socialism, Brussels and much else she dispelled any lingering suspicion that she might like to see her colleagues punished by a Labour

victory. There were faint jibes at her successor - she feared the festo might obscure the importent issues and reminded him that it was vital to keep a grip on public spending - but noth-

loyal Instead she promised her earlier plan to keep Mr Major day that she would be going "most earnest endeavour" in above the fray. could so easily be lost unless we are returned for a fourth

ership." The prime minister took up the same theme. In a speech delivered in unfamiliarly harsh, and occasionally angry, tones, he decried the "socialist stone age", the "politics of envy" and the "calculated malice" of his opponents. Mr Kin-

the campaign, declaring: It was the approach of the US during the last 10 Everything we have gained demanded by the newspapers days of the campaign. sympathetic to the Conservatives, which yesterday had

Nor are all in the Conservative camp convinced that the

aggressive approach which fires party activists necessarily wins the votes of waverers among the electorate. But Mr Major's team promised to press ahead on the same tack until polling day. And few caught the unintended irony when one strategist promised that today it was Mr Michael Heseltine's here to see it through until turn to be let loose on Labour.

Major's] tea," he said.

nock was mocked by name as

term under John Major's leadlambasted the party's approach

as weak and directionless. It was one that had Mr Norman Tebbit ready to praise a campaign team of which he had previously been dismissive.

'At last they've stopped putting tranquillisers in his [Mr Mrs Thatcher will not be

gains tax exemption limit is

City Watch: Barry Riley

The rush to cash in on savings fears



No industry is following the fortunes of the two main parties more closely than the savings

which directly

feeds off tax, pension schemes and other highly politicised legislation. Many investment companies are eagerly cashing in on the rush to buy personal equity plans, with investors calculating that tax breaks which are only marginal in value under the Conservatives would

become worth a great deal more under Labour's antimiddle-class tax regime. Save & Prosper hopes to hit Pep sales of £150m in the finan-Pep sales of £150m in the finan-cial year now drawing to a of the state scheme, Serps, and

close, against £85m last time. Total industry Pep sales may well be £2bn or more, against £1.6bn in 1990-91, and if Labour wins there will be a torrent of money into 1992-93 Peps before

a Budget can be produced which might end them. Labour has proposed to mod-ify Peps, rather than abolish. them. They might be made smaller, but broadened away from their all-equity basis. Mr The product area causing

Julian Tregoning, marketing chief at Save & Prosper, says: "We would like to give some input to the debate on Peps." most concern to life assurance companies is personal pensions. Labour has promised to cancel the 2 per cent "bribe" being paid for the next two

pension providers to give a pension guarantee related to growth of average earnings.
Mr John Craddock, head of life and pensions at Legal & General, says that the ending of the 2 per cent incentive would be "very unfair". L&G fears that as many as 1.5m of

the estimated 5m personal planholders might return to Serps. As for the guarantee, Mr Ron Spill of L&G says: "We cannot accept an open-ended liability related to average earnings. The very survival of personal pensions might, therefore, depend on some sort of com-

However, a Labour administration might bring opportunities as well as hazards. At Invesco MIM, Mr Keith Crow-

threatens to require personal- lay, marketing director, is ready to change direction. "You should have started the planning process three to six months ago," he says. "Flexibility is next to godliness." He sees tax angles becoming more important. Labour's pre-

occupation with promoting manufacturing investment might provide opportunities, and at the very least there will be scope for some "buy before the tax deadline" promotions. Meanwhile, life assurance experts argue that tax changes might favour life company 10year savings plans and lumpsum products, which at present bear both income tax and capi-

rate. This might look more

attractive if many more people

sharply reduced from the Tory level of £5,800 for 1992-93. More pessimistic people in the savings business fear that higher taxes and a crumbling house market could cause severe damage. The middle classes struggling to pay mortgages and school fees would have nothing left for savings. The more sanguine argue that higher taxes will generate

more opportunities for those savings institutions that come up with the right products. But the tax breaks on mortgages, pensions and life assur-ance which protected the middle classes in the 1970s have been reduced or eliminated. Most top people in the savings tal gains tax at the standard are paying income tax at up to to testing the limits their powers of ingenuity under Labour.

Tory win/Labour defeat stocks

50 per cent, and the capital 'Labour gain' stocks extend lead

By Peter Martin

THE FIRST full week of the general election campaign proper has seen a clear gap open in the FT Election Share index between those shares. that stand to gain if Labour wins and those that would lose from a change of government. The index, published daily

during the campaign, consists of 10 stocks which might outperform in the event of a Labour victory and 10 which could benefit from a Conserva-The "Labour gainers" have

outperformed the main bigcompany index, the FT-SE 100, and are very close to the level at which the campaign started. per cent, also stands to lose recent weeks as both parties

"Conservative gainers", on the other hand, have lost 6 per cent of their value during the campaign, with some shares much more badly affected. BET, for example, the business services company, has seen its shares drop from 153p to 125p, an 18 per cent fall. Investors are worried that the company's

costs would rise if a Labour minimum wage poshed up the pay of office cleaners and other service workers. (BET argues that it should not be included in this portion of the index, as it has a construction business that stands to gain from any increase in infrastructure spending if Labour wins.) Courtaulds Textiles, down 9

from a minimum wage. Another big loser, National Power, down 12 per cent, is threatened with tighter regulation under Labour.

The performance of the Labour gainers has been helped by BAT's 51/2 per cent rise since the election was called - mainly due to the company's announcement last week that it would pay a higher dividend. The 4.7 per cent drop in the share price of Land Securities, the worstperforming Labour gainer, is indirectly connected to politics. Property firms are particularly sensitive to changes in long-term interest rates, which have been rising steadily over

have indicated they would increase public-sector borrow-

The index at market close on Friday was: Labour win/Conservative defeat shares 99.26; Conservative win/Labour defeat shares 93.42; FT-SE 100 index, rebased 97.37. The base for the index is clos-

ing prices on the day the elecday March 11. Both sections of the index are set to 100 at that date. The index is constructed on the same basis as the FT 30-share Ordinary index which makes it highly sensitive to day-to-day share price movements and unsuitable for long-term performance measur

FT ELECTION SHARE INDEX Labour win/Tory defeat stocks (% change since March 11) ICI - ditto: kingpin of favoured manufacturing sector -3.0 Blue Circle - infrastructure spending Taylor Woodrow - infrastructure spending BICC - intrastructure spending-4.5
GEC - ditto, plus good at dealing with governments+ 0.7 APV - capital goods, at core of manufacturing Rolls - Royce - ditto, plus better chances of subsidy + 2.7

BET - minimum wage Hanson - Lab threatens curbs on UK takeovers+1.1 S.G. Warburg - ditto, hitting corp finance revenues - 7.5 National Power - Lab regulation- 12.4 Prudential - Lab life insurance regulation-3.8

Courtaulds Textiles - Lab poses minimum wage threat . +9.1

28,410 at the Sydney Cricket

Ground reacted with outrage,

throwing garbage on the

abuse at the ampires and

Spectators were outraged

Gooch admitted it was not the

best way to advance to the

Checks made

on Concordes

Checks have been carried out on all British Airways' Con-

cordes after one landed at New

York's Kennedy Airport at the

weekend with section of its

the damage two hours into the

flight from London when they

noticed vibration and shut

down one of the jet's four

engines. BA said the 64 passen-gers had been in no danger. It

also said it was the third time

in three years that a Concorde

had lost part of its rudder in

Investigations had shown

previous losses, in 1989 and

1991, were caused by moisture getting into the sealed rudder

unit during the manufacturing

The crew became aware of

rudder missing.

England players.

New Jaguar chief seeks increased output

By Kevin Done Motor Industry Correspondent

MR BILL Hayden, chairman and chief executive of Jaguar, the heavily lossmaking luxury car subsidiary of Ford of the US, is to retire at the end of the month. He will be replaced by Mr Nick Scheele, previously president of Ford of Mexico, and Jaguar vice-chairman since January 1.

Mr Scheele must implement the ambitious Jaguar new product plan devised following Ford's £1.6bn takeover at the end of 1989, which is aimed at boosting

more than 100,000 cars a year, four times last year's depressed output level. The product programme, which is expected to involve a capital investment of more than Elbn through the 1990s, will focus on the development of

three new model ranges, as well as the

development of a new engine family.

Mr Scheele said the "challenge" facing Jaguar was to deliver the product programme on time and within budget. The company was still "grappling" with the Issue of the degree to which Jaguar should use common components with Ford. He said Lexus, the Japanese luxury car range, shared many components with Toyota "and we must reduce our costs." Jaguar was currently planning to raise production this year to 27,500, but "that assumes a recovery in the second half of the year," he added.
According to Mr Hayden Jaguar's

break-even point has been reduced to around 34,000 cars a year. The company was seeking to improve productivity by around 25 per cent this year after a gain of 23 per cent in 1991, said Mr Scheele. The company is also planning to reduce its workforce by around 10 per

cent or some 800 jobs this year, after cutting employment drastically by a third in 1991 to 8,015 from 12,100 at the end of 1990. The company has become alarmed by the fall in owner loyalty in the US, from a traditional level of around 70 per cent to only 30 per cent last year, said Mr Scheele.

Jaguar is hoping that this trend can be reversed by its substantial progress in overcoming its earlier quality prob-lems. Mr Scheele said that quality had shown a six-fold improvement in the last two years..

Background, Page 14

Retail sales dominated by top stores

By John Thornhill

THE recession has markedly accelerated the concentration of retailing power in the UK. cording to a new report from the Corporate Intelligence Group, the retail consultants.

the UK now account for more than one-third of all sales. The report says the top 500 retailers in the UK now account for 70 per cent of all sales leaving 240,000 independent companies competing for the remaining 30 per cent.

Significantly, the report estimates that overseas retailers accounted for more than 60 per cent of the value of retail acquisitions in 1991.

The top six grocery retailers account for 75 per cent of food sales and the top three home improvement chains command 48.5 per cent of the home improvement market.

The report, however, supports a widespread view in the industry that the big multiple retailers, many of which are publicly-quoted, are polarising between the strong and the

1) AWARDING COMMITTEE: Azienda Energeboa Municipale - Via Bertola n.48 - 10122 Turin (italy) - Tel. 01039/11/5549.1 - Telex 212294 AEM TO I

Fax 01039/11/538513 AWARDING PROCEDURE: Call for bids CONTRACT TYPE: Concession agreem

ly capacity regula

contract
LOCATION OF IMPLEMENTATION: Area between the municipalities of Oulx and Suss in
the Turin province.
DESCRIPTION OF WORKS: Fulfillment of the

administrative procedures, detailed plan and construction of a hydroelectric plant with daily gapacity control of the control

ly capacity regulation.
The plant consists primarily of the following:
- dam and diversion structure on the river;
- underground intake canal;

pressure tunnel and penstock;

underground power station; lower dam and demodulation basin;

high voltage cable to retional grid.

The overall rough estimate will be of 420 billion Italian line. It is important to point out that the value above which tenders will be re-

garded unacceptable is a maximum of 10% of that amount. Works pertaining to dama (140 billion Italian lire) and tunnels (170 billion Italian lire) at though included in the total amount, can be

separately carried out by temporary vertical

associations.
PURPOSE OF WORKS: Construction of a hydroelectric plant with a capacity of 132 MW and an average year capability of at least 388

days of the tender invitation mailing date to the EEC publications office (by 27/4/1992 at

the EEU publications since toy 2:19/1998 at 12:00 p.m.).
b) DELIVERY ADDRESS: AEM TORINO - Viz Bertola n.48 - 10122 Turin (italy) - Bids must be on stamped paper and have to be sent either by registered mail or authorized delivery

by registered mail or autionized delivery services.
c) LANGUAGE IN WHICH BIDS MUST BE COMPILED: Italian.
7) DEADLINE FOR THE DISPATCH OF INVITATIONS TO SUBMIT A BID: 30 November, 1992.
8) DEPOSIT: 10% of the concession amount must be deposited by the entrusted party as per the contract's terms and conditions.
9) FINANCING AND PAYMENT PROCEDURE: The works are financed party by loan petitions from

works are financed partly by loan petitions from the European investment Bank and/or other

primary banking companies and partly by corpo-rate savings. Payments will be carried out

through advanced payments, down payments on the works' development and final balance according to the law 10) TERMS AND CONDITIONS FOR PARTICIPATION:

Applicants must prove, with a successively verifi-able declaration undersigned by the legal repre-sentative, the possession of the following

erequisites.

To be registered with ANC (Italian National Builders Register) in categories 15a, 14, and 15 for an unlimited amount.

As is explained in the forward of Part I of the contract's terms, registration in category 16a is absolutely mandatory and registration in categories 14 and 15 are also necessary. To have the following besic prerequisites; b.1) Single compenies:

an overall business turnover for the 1988–1989-1990 fiscal years not lower than 1008 billion Italian fire; a labour business turnover, in the same three-year period.

turnover, in the same three-year period, not lower than 756 billion Italian lire;

an overall cost for the works carried out in the last five-year period not lower than 80 billion, 101 billion, and 123 billion Italian

lire. respectively reentering categories 16a, 14, and 15;

the luffilment, in the last five-year period,

of one or two works in the requested cate-gones; in case of one work, for an amount

not lower than 53 billion Italian lire (cal. 16a), 68 billion Italian lire (cal. 14), and 82

4) COMPLETION DATE: Within 6 years from the date

of the contract's stipulation.

5) SUBJECTS ENTITLED TO TENDER: Associated companies, labour and producton cooperatives, and consortia of companies referred to in articles 22 of law no. 406 dated 19/12/1991.

6) a) DEADLINE FOR RECEIPT OF BIOS: Within 50 and of the trader in the statement of th

upper dam and reservoir for daily capacity



Japanese likely to buy County Hall

A JAPANESE company is expected to sign a controversial deal today to buy one of London's most sought-after buildings: County Hall, the empty headquarters of the former Greater London Council (GLC) on the river Thames.

Mr Bryan Gould, Labour's environment spokesman, said he was "outraged" at reports that the London Residuary Body (LRB) - responsible for winding up the affairs of the

CONTRACTS AND TENDERS

AZIENDA ENERGETICA MUNICIPALE DI TORINO

(Public Electrical Council)

CALL FOR BIDS

I - TURIN: Construction of Hydroelectric Plant

GLC since its 1986 abolition plans to sell County Hall to Shirayama Corporation, a private Japanese company, for development into a hotel.

Shirayama Corporation was founded in 1921, has only seven employees and is capitalised at Y100m. Its owner, Mr Shirayama owns real estate in Osaka. In 1989 his company acquired a Madrid hotel for £48m from Bass, and participated in a pre-vious tender bid, which collapsed, for County Hall, in 1989. However, Mr Michael

billion Italian lire (cat. 15), in case of two works, for an amount not lower than 86 billion Italian lire (cat. 16a), 84 billion Italian lire (cat. 14), and 102 billion Italian lire (cat. 15).

equipment, resources, and technical out-itting of which the company has actual

numg or which the company has actual availability or ownership, the cost for the company's personnel in the last three fiscal years not lower than 10% of the business turnover in the above-required works.

Temporary associations with a horizontal structure:

tal structure: registration with ANC of all of the asso-

registration with ANC of all of the asso-ciated companies in categories 16a, 14, and 15 for an unlimited amount, possession by the prime contractor of 60% of the above-mentioned prerequi-sites of the single company and by the subcontractor for the remaining amount, each one of the subcontractors also has to own over 10% of what is cumulatively required.

required.
b 3) Temporary associations with a vertical

b 3) Temporary associations with a vertical structure:
registration with ANC of the prime contractor in category 16a and by the subcontractors in categories 14 and 15, by legal regulations, for unlimited amounts;
possession of the above-mentioned prerequisities for the single company by the prime contractor in category 16a, possession of the above-said prerequisites by each subcontractor for the amount indicated for the single company in the categories for works that are not included. Foreign companies, in place of a declaration that they are registered with ANC, can present a declaration of entry in registers and official rolls of their own country of residence, indicating the references entiting them to entry the substantial residence.

indicating the references entiting them to en-try in the register or roll and the relative classi-fication, if applicable.

hy in we register or rotation of resistive classification, if applicable.

C) The inexistence of the exclusion conditions as per art. 18 of law n. 406 dated 19/12/1991.

The banking companies that will be issuing - in a sealed envelope - the references.

What is declared must be proven, according to the terms and conditions quoted in art. 18 of law n. 406/91 except for what is required by the invitation to tender.

E) The works that the prime contractor plans to entrust to a third party for execution (as per art. 18 of law n. 55 dated 19/3/1990).

11] AWARDING CRITERIA: the selection of the most advantageous offer will be carried out on the basis of the elements, insted here below and jointly applied in decreasing order of importance:

a) the all-inclusive cost and the apportsonment procedure of the down payments.

procedure of the down payments, the level of exhaustiveness reached in the

proposed projectual solutions, the technical value of the overall works and of

the single components, also releating to the costs of the plant's maintenance; the plant's construction time; the level of exhaustiveness reached in the laying of the yard and in the planting of the sites recovery, which must be carned out during the work, in order to safeguard the environment.

The awarding will take place also in case of

The awarding with sake place also in case of only one bid;
The outline of the agreement, as well as the contract's terms, whose less important aspects can be adjusted, may be examined at qualified AEM offices;
[aw n. 406/91 has not been quoted for direct application but so, a reference for institutes also introduced to this concentral recording

also introduced to this concession procedure.

13)DATE OF NOTICE DISPATCH TO THE EEC PUB-UCATIONS OFFICE 5 March, 1992.

THE CHAIRMAN

THE GENERAL MANAGER (Dott, Arch, Giovanni Burzio)

12:ADDITIONAL INFORMATION

Heseltine, the environment secretary, is expected to tell Mr Gould that no decision will be made before the election.

The LRB offered the buildings, on the south bank of the Thames near Westminster Bridge, for sale in 1990, following the demise of the Inner London Education Authority, County Hall's last tenant.

Officials at the Department of the Environment, to which the LRB answers, yesterday said negotiations were at a delicate point. "But we understand that they have reached agreement and there will be a formal signing tomorrow." The Department refused to

confirm that Shirayama Corporation was the buyer, but only Shirayama and the London School of Economics have shown recent interest.

Mr Ian Crawford of the LSE said: "We were assured by the Department of the Environment that nothing would be finalised until after the election." The LSE is believed to have offered £100m for the site

Assertive secretaries find less favour with bosses

THE PERFECT secretary, from a boss's point of view, shows initiative and is accurate, but is not assertive and probably does not display a sense of humour, according to a survey of over 500 secretaries and 300 managers published today by the Industrial Society, writes

Many secretaries felt trapped in their jobs and were still treated as glorified typists in of humour and assertiveness. spite of their "amazing mix of skills," said the Industrial Society. Managers were wasting in a secretary's job, according their time and their companies'

money by failing to delegate tasks properly to their secre-

taries Asked which attributes they rated most highly in secretaries, managers put initiative top, followed by accuracy and confidentiality. Low ratings were received for flexibility confidence, knowledge and tact. Bottom of the list of desired qualities came a sense

Over 40 per cent of bosses saw typing as the first priority to the survey.

BRITAIN

Labour look at public sector pay reforms

Leaders of the opposition Labour Party are considering changing the way in which public sector pay is deter-mined and, if elected, may establish a permanent Public Services Pay Advisory Commission to decide pay awards.

They have also indicated that they would not abandon the current attempt to introduce performance related pay for 500,000 government officials and believe that unions. sceptical about the current ns, would co-operate with a "sensible" system of perfor-

mance pay. The Public Services Pay Advisory Commission (PSPAC), which would be fully independent of government, would supercede the existing pay review bodies which fix pay for nearly half of all pub-lic sector employees.

Hospital trusts may go private

Self-governing hospital trusts will move into the private sector unless limits are introduced on the number of beds used for private treatment, according to the NHS Support Federation, the health service

pressure group.

Ms Julia Schofield, director of the federation, said NHS patients would be left with worse care and longer quanes as trust hospitals increa turned to a more lucrative private market.

She called for the 10 per cent limit on private beds in NHS hospitals to be extended to trust hospitals.

Campaign to fight 'tribology'

A national campaign is launched today to save British weekend. manufacturing industry £1.5bn a year by encouraging greater awareness of one of

"ologies" - tribology, or the study of friction, lubrication

playing arena and yelling Complete with a self-help support package, telephone helpline and regional workshops, the Tribology Action when the scoreboard put up the impossible target of 21 off campaign aims to declare "war on wear" and promote the one. England captain Graham application of the science across all areas of design, production and operation. final against Pakistan.

The campaign is organised by the Institution of Mechanical Engineers, supported by the government.

Pilots seek union leader

Leaders of the British Airline Pilots Association are recommending their 5,500 members to elect Mr Chris Darke, a national officer of the MSF general technical union, as their next general secretary.

Mr Darke, 42, a former com-munist who describes as being left of centre in the Labour Party, looks after MSF's chemicals industry members and before that was national officer for aerospace, defence and civil aviation.

Deadlines for the nomination of other candidates is April 6 but it is unlikely that a challenge to Mr Darke would succeed given the Balpa executive's recommendation. The post became vacant following the death of Mr Mark Young.

Fresh boost for commerce

process.

A national drive to widen the membership of Britsin's chambers of commerce is to be launched by a direct mail campaign targetting 80,000 businesses throughout the UK.
Some 90,000 businesses are

already affiliated members of the Association of British Chambers of Commerce but the association hopes to increase that to 150,000 by

Tax on nuts

Tortilla chips, pistachio nuts in their shells, packets of poppedums and other savoury snacks may become liable for value added tax. A consultation paper issued by Customs & Excise calls for a comprehen-sive review of the VAT exemption of savoury snacks.

VAT is paid on potato crisps and salted peanuts, but many of the more exotic nibbles introduced over the last few years fall outside the legal definition of what constitutes a anack. The Customs paper does not specify that VAT will be extended, but says that if the In a chaotic finish, South borderline between snacks and Africa's run target was food is made "too generous" it amended from 22 off 18 balls could lead to "an unacceptable engineering's more arcane to 21 off one ball. The crowd of loss of revenue".

CONTRACTS AND TENDERS

FROM TURKISH ELECTRICITY AUTHORITY GENERAL MANAGEMENT

The amendment related to the supply of 3050 ea transformers required by our authority, which will be financed by an IBRD Loan, is as follows:

Deadline for submission of bids which is specified in ADDENDUM NO. V. of Bidding Documents has been changed to April 16, 1992.

Related firms may apply to the TEK for TURKIYE ELEKTRIK KURUMU GENEL MUDURLUGU Ticari Isler Dairesi Baskanilgi, Inönti Bulvari No: 27 Kat. 1 Oda No: 7 Bahçelievler/ANKARA TURKIYE for extra information.

B-33954

PUBLIC NOTICES



MMC INVITES EVIDENCE ON THE ACQUISITION BY SARA LEE CORPORATION OF THE SHOE CARE BUSINESS OF RECKITT & COLMAN PLC

The Monopolies and Mergers Commission would like to hear from any person with information or views on the acquisition by Sara Lee Corporation of the shoe care business of Reckitt & Colman plc.

The Commission will be considering whether the acquisition raises competition concerns in the market for the supply of applied shoe care products (i.e. various forms of polishes) and whether the acquisition may be expected to operate against the public interest. The Commission would like evidence in writing by 14 April 1992 to be sent to: The Reference Secretary (Sara Lee), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

INDIA 1992

The FT proposes to publish this survey on May 28 1992.

This survey will be read in 160 countries worldwide, including India where it will be widely distributed. In Europe 27% of the professional investment community regularly read the FT. If you want to reach this important audience, cell

or Fax 071 \$73 3079. est Community 1991 (MPG Int'l)

FT SURVEYS



Highlights 1991

ISS acquires four cleaning companies

 The ASAB-Group in Sweden with an annual turnover of SEK 1,200m

- Swan Services Inc. in the USA with an annual tumover of USD 40m

- Dansk Erhvervsrengøring in Denmark with an annual turnover of DKK 60m

- Evon Beheer B.V. in Holland with an annual turnover of NLG 20m

Earnings per share were DKK 56 and cash earnings per share were DKK 176 114,500 employees within the ISS Group

ISS Group

DKKm	1991	1990
Consolidated turnover Operating profit Profit before tax ISS consolidated net profit ISS shareholders' equity Dividend	11,806 582 329 244 1,108 43	9,610 414 268 205 570 37

For the ISS Annual Report please contact 010 45 31 63 08 11 ext. 6261

ISS-International Service System A/S 6, Kollegievej DK-2920 Charlottenlund Denmark Phone: 010 45 31 63 08 11

incorporated in Denmark / Registration No. 37.702

England batsman Graham Hick hits out yesterday

England advanced to Wednes-

day's World Cup cricket final in controversial circumstances

as rain ruined South Africa's

desperate run chase at the

England win

chaotic game

usiness metaphors such as "takeover battle" and dawn raid" are coming into their own as officers leaving Britain's armed forces seek new careers in management and finance.

This year, the Army is shedding 850 officers in the first tranche of the Options for Change forces cutback programme, and over the following two years a further 1,500 or so will go. Smaller numbers - not yet announced - will leave the Royal Navy and RAF.

THE RUIS

The Ministry of Defence is helping ease the transition of soldiers, sailors and airmen into the civilian sectors with special courses on subjects like business management.

Private sector consultancies are starting to get in on the act. Courts Career Consultants has been awarded an MoD contract to counsel departing personnel.

It will be starting workshops in Germany and in the garrisons of Aldershot, Hampshire, and Catter-ick, North Yorkshire from April 1.

Right Associates, the outplacement group which runs job assistanca centres for the US Army, is offering free advice on second careers to a senior officer from each of the three British services as a promotional gambit. The idea is that the officers will

give the agency tips on how to tai-lor its advice, and will also recommend it to fellow officers. David Burden, director-general, resettlement, at the MoD, says 60 per cent those leaving the forces

voluntarily or through redundancy get other jobs immediately. They go into banking, education engineering, the National Health Service – indeed to every civilian sector. At the end of six months, the

success rate is 85 per cent.

The most obvious selling point for those who have held command in the armed forces is leadership. But how well does military leadership operate when it changes to

Well enough to have persuaded 300 Dutch executives to pay up to FL3,000 (£925) each in December to hear Norman Schwarzkopf, the Desert Storm commander, lecture on the lessons of the Gulf war.

Schwarzkopf contended that both military and civilian leaders must have the courage to make decisions based on insufficient information.

Military training also equips people to respond properly to new data. "Clever sailors are among the most adaptable of people," says Michael Robinson, personnel director for Henderson Administration Group, the City investment manag-

He left the Royal Navy in 1986 with the rank of commander, having been the captain of patrol craft in the Far East.

According to Brian Lees, a former head of technical intelligence for the Army: "Flexible is the first thing officers must be, because if you can't change your plan based on new information, you are sunk." Lees is now a consultant for Lehman Brothers International, the investment bank, specialising in

joint ventures in the Arab world. The relevance of his view to business is clear. In an age of "managing change", who adapts wins.
Officers are trained to be good at logic, hard intelligence and sorting out data. But according to Roderick Macdonald, a serving British briga-

dier, the best are also aware of

when a situation does not "feel" In the civilian sphere, the ability

to be both analytical and intuitive should help to break the tyranny of

MANAGEMENT

The recommendations of, say, outside management consultants. should be viewed not as solutions to implement, but as adjuncts to what the executive knows of his own

o, will the flexible and intuitive, yet analytical, ex-services person find a smooth path into management? Not necessarily. There are things the military does not teach you.

For Joe Ruston, one of these things was how to negotiate with employees over pay and working In the Royal Navy, in which he

served for 13 years, "you never dis-cussed with a sailor what he was paid, and conditions are laid down in the Queen's Regulations". As chairman of Mander Portman

Woodward, a London tutorial col-

lege, Ruston recalls how in 1981 he "got into a senously bad mess" over a disagreement with his staff.

The Inland Revenue had pressed the college to take the teachers, then self-employed into the Pay As You Earn income-tax net. After a fight with the tax-man, the college gave in, only to be faced with two months of industrial action by unhappy staff.

"I felt betrayed," says Ruston. "I'd probably been too paternalistic, but I had looked after them and now they were giving me a hard time. I think I was applying a service atti-

"I hadn't cottoned on to the financial side of man-management. When I wanted to tighten the screws, I couldn't do it.

"I reacted wrongly and my service training hadn't prepared me for that at all." Eventually, the dispute was resolved to the satisfaction of

Advance clues about how former

military people may react to certain types of situations could, therefore, be useful - to them and their new organisations.

Richard Sale, a Cyprus-based staff officer, has attempted to put his finger on characteristic military qualities by using the techniques of psychometric testing - the assessment of personality traits according to a fixed set of criteria.

In a paper for the Royal Military College of Science and Cranfield Institute of Technology, he collated the responses of 49 brigadiers to computer tests and questionnaires.

The officers who were tested - 80 per cent of the brigade commanders in the Army in 1990 - were found, on balance, to be sociable, energetic and goal-centred individuals who liked solving difficult problems, 'sometimes ingeniously'

They were flexible planners, sought variety and change and were consequently easily bored. Outgoing in nature, they were confident with new contacts. At the same time, the subjects' profiles domineering to independent staff

and lack tact at times. Their very ebullience did not fit them for a quiet, low stimulus environment. And they "may struggle with a role that demands a high concern for detail".

Sale concludes that officers transfer easily to the civilian sector, and they are particularly well suited for senior executive positions in sales

For all of that, it would be surprising if many job-changers did not experience a clash of cultures. Some

will, for the first time, be working with women as equals. Others may need to get used to a

less hierarchical management structure in which the trappings of achievement are harder to discerp than they are in the armed forces. Unlike Alexander, today's paladin does have new worlds to conquer.



fter sexism and racism, the next "-ism" to be tackled by anti-discrimination legislation could be ageism. One pledge to have gone largely unnoticed during the past few days of manifesto madness is Labour's plan to examine

the feasibility of just such a law. Employers could be banned from specifying an age for a particular post in a newspaper advertisement. in the same way that it would be illegal now for them to say they wanted to employ only a white per-

HAME A TO BOX According to Brook Street, the employment agency, age discrimination does not start at 55. Says Anita Higginson, marketing and training director: "If you're a judge it's OK to be over 70 and go on until you drop dead; if you're

looking for a first secretarial job you could be finished by 25". Associating particular jobs with perticular ages is commonly an unthinking reflex on the part of

employers, says Higginson. For

example, the popular perception is

Going to work on ageism

Diane Summers reports on plans to end discrimination

that the chairman of a company or, at the opposite end of the scale, a cleaner - will be over 50. According to a survey of 1,000 personnel directors conducted by Gallup for Brook Street, more than 60 per cent thought receptionists should be under 35.

The same survey revealed that nearly 80 per cent of workers over 50 believed they had been refused a job because they were too old, even though they had the relevant skills. Some organisations have made a virtue out of breaking the stereotypes as they have struggled, particularly before the recession, to plug labour and skill gaps. B&Q, the DIY chain, for example, has stores staffed entirely by men and women over 50 and has proclaimed the policy an unqualified success.

Research by the World Health Organisation into Tesco's employees has found that older workers employed by the company are better with customers, more reliable, more responsible and less likely to take time off sick than their younger colleagues.

he Gallup survey for Brook Street was carried out two years ago and there are some signs that attitudes among employers are beginning to change. A recent survey, by Alan Walker and Philip Taylor from the University of Sheffield, suggests, surprisingly, that employers could now even favour outlawing age discrim-

The survey of 500 employers, funded by the Economic and Social Research Council, found 55 per cent in favour of a law along the lines of the sex and race discrimination

Some deep-rooted reservations about taking on older workers remain: the survey also found that employers feared they would not get a reasonable return on the money they spent on training older

This finding is important for policy makers, given that three out of four respondents to the survey perceived a lack of appropriate skills as the top reason for not taking on older workers. Government policies on training have, to date, been strongly biased in favour of vounger workers.

In spite of the Sheffield findings. Labour is likely to face strong

opposition from employers' bodies to any plans for legislation. The Confederation of British Industry favours a voluntary approach and argues that there could be circumstances where it might be sensible for employers to specify age when, for example a post requires a particular level of experience.

Labour's argument is that employers have had plenty of time to reform. Guidelines from the Institute of Personnel Management, which have been in circulation for some time, strongly urge organisations not to specify ages in adver-

The Sheffield survey found that nearly haif of employers had not seen the IPM guidelines although. "in some cases, the guidelines had been copied enthusiastically to all departments in an organisation".

If much age discrimination is based on an unthinking reflex, the Sheffield finding indicates that considerable progress could be achieved simply by increased edu-

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Upgrading water works

TAYLOR WOODROW's multidiscipline engineering and project management subsidiary Taymel has picked up two contracts for the water industry. Work has just started on an

£8.5m project for Severn Trent Water to refurbish and upgrade Mythe water treatment works near Tewkesbury, Gloucestershire.

This follows an award of £25m of mechanical and electrical work at Ashford Common water treatment plant near Staines where Taymel is part of the project team led by Taylor Woodrow Civil Engineering, the main contractor engaged on a major improvement programme for Thames

At Mythe, Taymel - Taylor Woodrow Management and Engineering - is responsible for the design, supply and installation of granular activated carbon (GAC) filters, together with refurbishment and modification to the pumping, chemical dosing and associated control systems.

The two-year contract is designed to ensure that drinking water from the works complies with the Water Supply (Water Quality) Regulations,

Retail project

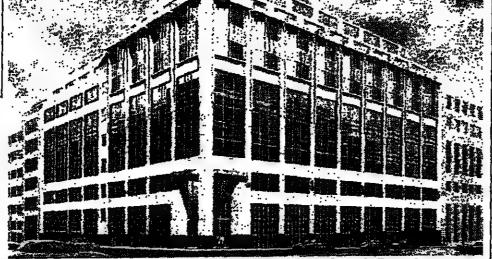
The expansion of Danish retailer Netto in the north of England is providing opportunities for British Industry.

HENRY BARRETT's Brad ford-based steel buildings divi-sion has won a 2850,000 contract for the construction of Netto's first purpose-built 220,000 sq ft distribution centre

The contract includes the design and build of structural steelwork, cladding and rainwater guttering.

The main contractor is Marshall Construction and the distribution centre will be built at South Elmsall, near Wakefield, West Yorkshire.

CONSTRUCTION CONTRACTS



An artist's impression of the proposed office development scheme in Brussels

BERNARD SUNLEY & SONS has been appointed construction consultants by Cominiere SA for a £9.4m office development near the European Community headquarters in Brus-

Work recently commenced on site on the nine-storey office development in the heart of Brussels' commercial sector. In 1990 a decision was made to develop the location by demolishing the existing stoneclad 1920's office building. Designed by Les Ateliers de Bruxelles, the multi-storey development will provide 12,474 sq metres of air-conditioned office accommodation within an L-shaped building.

The remaing £18.5m of con-

tracts were won throughout

the group; the Scottish compa-

nies, Lilley Construction Scotland and MDW (£2.7m); the

north of England companies,

Eden Construction and Robi-

son & Davidson (£9.8m); the

Midlands operations, Lilley

Improving access to Newmarket

The LILLEY GROUP has been awarded £38m of contracts during February and March. The largest order, worth 19.3m. is the All Four Wentways to Newmarket contract. won by Lilley Construction. The contract involves the upgrading of the existing single carriageway to two lanes and the construction of new and realigned side roads and four bridges. Work is due to commence on March 30 and

Lilley Building has won a contract worth 25m to build a Post House hotel for Forte (UK) in Colchester. Work is due to start at the end of March and is scheduled for completion early in 1993. Henry Jones Construction has been awarded a £5.3m

design and build award for the construction of 124 dwellings and some infrastructure work at the Preston Barracks site in Brighton. The project will run £28m orders awarded to Mansell

Construction Midlands, the Standen Group and Piper Buildings (£2.2m); and the southern-based companies, Henry Jones and Lilley Construction Southern (£3.8m).

MANSELL has been awarded contracts totalling £28m covering new build, design and build, refurbishment and fit-

in the leisure sector Mansell is working for the Hyatt Carlton Tower Hotel on a fast track 12-week refurbishment contract at its Knightsbridge hotel, value Elm; for Ladbroke Hotels the company is undertaking refurbishment work at its Hilton International, Regent's Park; and two further contracts, worth a total of £8m. are for Forte Hotels for construction work at Crest Hotel, Heathrow and the Cumberland

ting out.

Hotel at Marble Arch. Other awards include work for various London boroughs, including the formation of a day care centre at Lewisham; two contracts worth £1.3m at Whitwell Road Estate, N13 and College Point, £15; the provision of a block of flats in Wood Green for disabled tenants at a cost of 2300,000; a combination of new build flats and refurbishment to two 12-storey tower blocks in Croydon worth £2.25m; and the construction of a social club in Millwall for the

ment Corporation. For Runnymede Borough

London Docklands Develop-

Council, a design and build contract is for a day care centre in New Haw, Surrey, value £730,000. Eleven two-storey houses costing £630,000 are to be built in Hackney, E9 for Sanctuary Housing and the British Railway Board has placed contracts for work at Moorgate, Old Street, Finsbury Park/Highbury and Islington

Major extension works will be undertaken at the Central School of Speech and Drama's Embassy Theatre and a programme of refurbishment at the Indian study room at the Victoria and Albert Museum.

PEOPLE

Building offices in Brussels | NatWest looks for 'material impact'

National Westminster Bank may not be able to do much right at the moment but at least it intends to buy right. Britain's second biggest clearing bank has bired Stuart Humby from PowerGen to be its

first director of group purchasing. Humby, 50, and a past president of the Institute of Purchasing and Supply, will be responsible for managing NatWest's £2bn annual spending on goods and services. He is one of a new breed of professional managers which regards the purchasing function as an "important competitive weapon".

"The difference between looking after purchasing in a ham-fisted way and doing It to the ultimate professional standard could be as much as 25 per cent of the cost," says Rumby, who has degrees in mechanical engineering and business studies. This appointment is believed to be the first time a clearing bank has hired someone of Humby's seniority and Bert Morris, a deputy chief executive of Nat-West, expects that the initiative will have

careers

appointed md of TEAM MANAGEMENT

(NORTHERN); he succeeds

Rob Johnson, who becomes

an associate director of Team

Services, the parent company.

■ Nick Price is promoted to

become chief estates man-

ager of NORWICH UNION

following the retirement of

■ Vincent Byrne, formerly md of Keir Building and a director

appointed a regional director

Brian Street, one of the UK

insurance industry's leading

experts on pollution, is chang-

A chartered accountant who

has worked in insurance for

over 30 years. Street developed

new products in such exotic

areas as "malicious tamper"

during his eight years with

American International

Group, before turning his

attention to environmental

matters in 1988.

Martin Olley,

of CLUGSTON

CONSTRUCTION.

of Beazer National

Construction, has been



Traditionally, the big clearing banks

a "material impact" on the group's perfor-

have been slower than has industry in getting a grip on their costs and although NatWest's record in this area is not as bad as some, Humby believes that it has not taken the purchasing function as seriously as have companies like British Airways, Glaxo and SmithKline Beecham.

Although he will be building his new operation at NatWest "almost from scratch" he does not envisage having more than half a dozen people in the central operation. "One of the gravest mistakes in purchasing is to set up a large central organisation," says Humby.

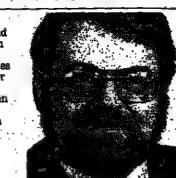
He started work as an engineering apprentice at Cummins, and after spells at Krupp and ICI Fibres, he joined British Coal where he was deputy director general of supply and contracts and oversaw an annual budget of £1.6bn. In terms of annual spending his new job at NatWest will be roughly four times as hig as his previous post at PowerGen and it will also be less orientated towards engineering and more towards buying of services.

Constructive from Norwest Holst. ■ Bill Nicholson, formerly md of Conder Cladding, has been appointed md of CONDER Structures; Geoff Cox becomes ■ Brian Jolly, previously deputy md of CAPITAL & COUNTIES, is appointed md in succession to Ray Moorman director and general manager of Conder Cladding. Graham Pinkerton has been ■ Jonathan Walters (above appointed director of left), chief executive of who is taking early retirement. engineering at AMEC Design Stewart Parnitam has been

and Management.

Robert Ewen, formerly HUNTING GATE Group, is also appointed chairman on project director at Schal International, has been the retirement of John Redgrave. David Taylor. previously finance director appointed divisional director of Watkins, has been appointed of BOVIS Program finance director. ■ Warwick Evans (above Richard Hankin, south east right), marketing director, and regional director of Maunsell, Peter Steckelmacher, finance is appointed to the board of MAUNSELL ASSOCIATES; director, have been appointed

to the board of BALFOUR Paul Norman is retiring from BEATTY CIVIL the board but remains ENGINEERING. chairman of Maunsell ■ Peter Evans has been International. appointed deputy chief George Miller, and of Lovell executive of EBC Group. Construction division, is ■ Jim Bowyer is appointed md appointed to the board of YJ LOVELL (HOLDINGS). of J JARVIS & SONS; he moves:



Michael Smith has resigned as director of Globe Petroleum the small oil exploration and production company. He joined Globe as a part-time director just a year ago and became its chairman last October. He subsequently became unwell and has resigned without giving a reason.

The company, which is cutrently pursuing an acquisition, says it is to replace him with four directors.

BRITISH BORNEO, the independent oil and gas exploration company, has appointed William Colvin as its first finance director. Colvin joins British Borneo from Oryx UK Energy, a subsidiary of the world's largest independent oil and gas explorer which has its headquarters in the US. Colvin headed the UK and other international operations...

British Borneo is aggres sively expanding and recently bought the UK North Sea assets of Norsk Hydro, the Norwegian oil company.

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POLAND

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Payment of Dividend

Street is highly critical of the

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by many UK insurers which

could eventually leave them

Indeed, with European envi-

ronmental law increasingly.

ronmental law increasingly influenced by legal principles common in the US — such as the "polluter pays" — Street expects pollution to become a

big issue for insurers and

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with large losses.

The 38th Annual General Meeting of our shareholders passed the resolution to pay a dividend for the fiscal year 1990/91 of DM 10.00 per share of DM 50.00 nominal value.

Payment will be effected subject to deduction of German Capital Yields Tax of 26,875 % (including solidarity surtax) against presentation of coupon No. 6.

United Kingdom income Tax will be deducted at the rate of 10 % unless claims. are accompanied by an affidavit.

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The net amount of dividend is payable at the rate of exchange on the day of presentation, Düsseldorf, March 1992 Board of Management



THYSSEN AKTIENGESELLSCHAFT

Notice to Warrantholders of

The Maruetsu. Inc.

(The "Company")

Warrants to subscribe for Shares of Common Stock of The Maruetsu, Inc. issued in conjunction with the issue of

U.S.\$70,000,000 3.1/2 per cent. Guaranteed Bonds 1992 Pursuant to the instrument relating to the above mentioned Warrants, we hereby notify

1. The Board of Directors authorized on March. 10, 1992 to split the shares (the "Stock Spilt") at the rate of one-point one (1.1) new shares for each one (1) share held as of March 31, 1992 Tokyo Time, provided, however, that the fractions of a full share occurring upon such Stock Spilt shall be sold as a whole and the proceeds of the sale shall be distributed to the shareholders entitled thereto in proportion to their fractional interests.

2. Accordingly, the Exercise Price of the above mentioned Warrants will be adjusted effective as from April 1, 1992 Tokyo Time as follows:

Exercise Price before adjustment Yen 1,179.00 Exercise Price after adjustment Yen 1,071.80

March 23, 1992

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ARCHITECTURE

How elegance has been Fostered in Japan

Colin Amery admires Century Tower in Tokyo

we things stand out from a recent visit to Japan. One is the quality, range and sheer style of much of the newest architecture. The other is the advanced and forward thinking nature of the higher echelons of the Japanese building and contracting industry.

The state of the s

I was impressed by the willingness on the part of corporate clients to build large, expensive, often experimental, buildings - something that is relatively rarely done in the UK. The very high price of land in the capital, Tokyo, makes the actual cost of a building relatively cheap, which may explain the willingness to commission bold designs. High site values can, of course, also mean that buildings of a low standard are erected quickly and cheaply, their quality only controlled by official regulations, I suspect that the strong, almost fierce, corporate competitiveness is mainly responsible for the need to impress by architectural innovation as well as, the now expected Japanese tech-

nological ingenuity. One of the most interesting and important new office towers in Tokyo is the Century Tower, the result of a three-way cooperation between client, architect and con-tractor. Kazuo Akao, who runs the Obunsha Publishing Group, acted as developer, his choice of designer was the British architect Sir Norman Foster, and the contractor was the Obayashi Corporation.

Mr Akao is an aficionado of contemporary art and a collector of the work of artists like Carl André and Richard Long (he also has a remarkable collection of traditional Japanese art). His admiration of Norman Foster's work stems from his enthusiasm for the headquarters of the Hongkong Shanghai Bank in Hong Kong which he visited and studied in detail before commissioning him to build in Tokyo.

Century Towar has been open for about ten months and is already seen as an exemplar of advanced office design. Situated in the central Bunkyo-ku district of Tokyo, it is tical line). This sweeping shape also first seen from the south, rising has visual associations with tradi-

feature is the dominant entrance facade, an eccentrically braced steel frame rising up the front of the building like a vertical line of Shinto-like arches.

Because of the possibility of earthquakes in Japan, seismic shock resistance plays an important role in the design of any new build-ing. Main structural floors are known as stability floors and they are double height. Century Tower is in fact two towers - a south tower of 21 floors and a north tower of 19 linked by an atrium. A giant red and white mast stands on top of the taller tower, adding both height and

The visitor enters the block from the street underneath one of the giant structural arches. The first impression of the huge entrance is of caim elegance. You walk on a black granite floor, drawn towards the sombre black water table, two enormous blocks of Zimbahwe granite covered by a sheet of moving water. This mirrors the whole space while making a gentle soothing sound as the water overflows down the sides of the granite blocks alongside the stairs that lead to the basement. These mesmerising water sculptures were designed by the American water artist, Richard Chaix, from Carmel, California. They are beautiful — almost ritualistic - in their strong presence. The ancient symbolism of the purifying effect of water at the temple's entrance is interpreted here in a

modern form. A glance upwards from the grey; granite elegance of the entrance hall reveals the height of the atrium and the visible office floors. Another glance to the reer of the hall and you observe the spectacular glass roof that shelters the swimming pool, health club and restaurant on the lower floors. This is a superb sweep of glass that follows a perfect catenary curve (the curve that you would get from a chain or rope hanging freely from two fixed points that are not in the same ver-

above the canal. The most striking tional curved roofs of Japanese shrines of the Nagare, Hie and Kasuga periods.

Lured by the gentle flow of the water slipping over the black gran-ite, most visitors with no business appointment would descend to the Century Museum on the lower floor. Poster likens this to a journey into a cave and certainly you move from the dripping black walls into a dark. rich room. This is lined with simple glazed show cases displaying some of Mr Akao's collection of Oriental art and sculpture, quite magnifi-cently lit by lighting designer Claud Engel. The Health Club and Thai restaurant beneath the sweeping curved glass roof are both incredibly elegant. Although it was hard to see the pool, so exclusive is the club, I did glimpse a row of foun-tains beneath palm trees and sense the simplicity of the dark, empty

The contractor, Obayashi, had a daunting task making the innovative Poster design operate within the tight Tokyo building and safety regulations. That it has succeeded by ingenious interpretations of the fire codes within the open nature of the plan is impressive

With any Norman Foster creation one has come to expect only the highest quality of finish and detail. In Tokyo this is certainly the case. There is also the Foster absence of colour, even a relentless greyness about the environment, However, I saw the building on a grey, snowy day and so did not experience the play of brightness and light that is the main reason behind the great top lit atrium that brings natural light to every floor in a way that seems simple but is, in fact, very hard to achieve effectively.

Two questions are promted by the Century Tower. Why do we not have a comparable large commer-cial office tower by Foster in the UK, and why has Foster's elegant design for an hotel in Knightsbridge, London, recently been refused planning permission? Tokyo sees the point of elegance. Has the City of Westminster planning committee no vision at all?



Century Tower: Norman Foster's Tokyo masterpiece

Glimpse of the golden age at the Bibliothèque-Musée

In Paris Ronald Crichton visits the refurbished Palais Garnier and a performance of Elektra

programme described last Wednes-

of the old Opera, the Palais Garnier. was intended as a ceremonial entrance for Napoleon and Eugénie, who had survived an attempted saassination some years earlier outside the previous opera house inthe rue Le Peletier. By the time Garnier's building was ready the Second Empire had collapsed and

the former Emperor had died in exile at Chislehurst. For more than a century the pavilion has housed a fabulous collection devoted to opera and the dance, the property of the Bibliotèque Nationale, consulted by writers and students many of whom, as I used to, may have felt a little overawed by the surroundings - at once tradition-haunted and fusty. There were temporary exhibitions which could be visited from the auditorium during intervals. The one mounted for Robert le diable

added a good deal to the effect of that opera's revival a few years ago. Recently the Ministry of Culture. the Bibliotèque Nationale, the Opéra, Louis Vuitton and AROP combined (in perfect harmony, it appears - finished on time, budget

The pavilion forming the West wing not exceeded) to redesign and reforbish that part of the huge building. The result is officially called "Bibilotèque-Musée de l'Opéra". In spite of the joint title, library and museum are now separated by an isophonic partition: seekers after truth are shielded from mere visitors wandering round the portraits, drawings, carlcatures, models and

The new entrance is inside the main building, not as before in the rue Scribe. The monumental staircase which led from the side entrance is incorporated into the museum itself for temporary exhibitions. The noble proportions and bare walls, which must disconcert those who associated Garnier's architecture with rampageous gilt-encrusted decoration, would still look austere even if the imperial eagles and initials had been sculpted on them as planued. The new vitrines and furniture are the work of Richard Peduzzi, Chérau's designer for the Paris Luke and for the 1978 Ring at Bayreuth. (Open everyday except Sundays, 10-4.30.)
The special exhibition now show-

day by Clement Crisp, is The Ballets Russes at the Opéra. Not all Diaghilev's scandals and successes happened here - the Châtelet and the Champa-Elysées were also much involved. There is still plenty to show, from the time of the Boris Godunov of 1908 which started the whole thing off, up to Diaghiller's death in 1929. Many of the objects have been seen at loan exhibitions elsewhere and still more are familiar from reproductions, yet their impact remains as fresh as ever the strength of invention, the range and versatility, the constant ability to use modern art in a theatrical context, from Golovin, Bakst and Benois up to Picasso, Matisse and Chelitchev. The wealth has been mined by succeeding generations but it is hard to throw off a feeling

After these golden-age glimpses the Elektra shared with Los Angeles (where Max Loppert reviewed it) and Houston, now at the Bastille, looks a rather sad affair in John Bury's rubbly, ugly-ugly and, worse, uninteresting set. One wondered why it was thought worth while to

bring half way across the world a solved. Nothing so simple as the production (originally by David Pountney, staged for Paris by Clare West) now chiefly remarkable for its failure to strike more than intermittent sparks from some singers.

In the title-role Gabriele Schaut, one felt, was poised for a fine performance which never quite materialised. Her top notes, cutting but not strident, winged out as if they would shoot across Paris and shake the Eiffel Tower. Rapid phrases were boxy and incomprehensible. Heiga Dernesch's Civiemmestra, a potentially fascinating study of a thoroughbred gone disastrously wrong, did not project strongly enough in the unfriendly spaces. The Chrysothemis of Karen Huffstodt had vivid moments. In the brief role of Aegisthus Jean Dupouy was dessedly clear, but no Aegisthus can save an Elektro

Under the Danish conductor Michael Schonwand the orchestra delivered thunderous climaxes and, as usual, some expert woodwind playing, with little of the genuine Straussian warmth. Acoustical problems in this theatre are not yet orchestra drowning the voices. The two in some way hard to define don't sit down together, with results unsatisfying and tiring to the ear, in fairness I report that packed house loved it all.

June Anderson having cancelled her solo recital at the Opera-Comi que thorough illness, there was just time to get to the Champs-Elysées to hear another popular American star, Chris Mervitt, give a whopping programme of Bellini, Donizetti and Rossini. This tenor's particular strength lies in the unusual way he combines technical agility with beroic vigour. The heroic side may be gaining the upper hand. Merrit looked like Siegfried and often sounds like him: I was ready for him to launch at any moment into the Forging Songs.

He opened with an "A te, O cara" from I puritani which wouldn't have disgraced Verdi's Manrico, Too beery by half, but beef gradually gave way to rarer meats and operas with two Rossini arias written for the formidable Naples tenor Andrea Nozzari. Thomas Muraco dealt ably with the piano accompaniments.

New York City Ballet

Alastair Macaulay

realise that they are living through a Golden Age, but in New York there are many who did just that. That age, it is now plain, lasted from 1948, when George Balanchine and Lincoln Kirstein founded New York City Ballet, till 1983, when Balanchine died.

But the vitality of this extraordinary company was directly related to Mr B. himself, to his vigilance in the wings every night and to his tuition in the classroom every morning. "What are you saving it for?" he never ceased to ask his dancers. He wanted more energy, more stretch, less acting, more clarity, more daring, more musicality.

NYCB still dances most of Balan chine's ballets, and they are still the greatest works ever choreographed. The dancers present feats of technique and speed that any other ballet company in the world might envy. But the bodies are not radiant as they used to be, and neither are the steps. Watching a Balanchine ballet danced now by what was once his company can be like walking round a great old cathedral in winter with no light. Yes, this would indeed be one of the shining achievements of the buman spirit, if only it would shine - if only we could see it.

Of the eight Balanchine ballets ! saw NYCB dance in February, I felt this most painfully in Divertimento no 15. This has been the most ineffable of all ballets. Somewhere in my head I will always carry, like iridescent bubbles, images from the Allegro theme-and-variations sequence of solos in this celestial Mozart ballet as they used to be danced: images of beauty and brilliance that truly enshrined a sublime moral vision. Calling ideally for five ballerinas and three male classicists, it is now both gravely undercast and underdanced. In the two performances I saw, only Nichol Hlinka, in the first variation, had something of the right high-density fullness Judith Fugate, a soloist at heart and at best, was lost in the diamantine dances for the prima. And a ballet that used to be, even in inferior performances, a shimmering construction of noble idealism, musical wit and gossamer delicacy had shrunk to become a nice little posy of pretty dances for some good girls and their partners.

During Balanchine's lifetime, any talk of New York City ballet involved talk of Mr B's favourites. (He married four of his ballerinas was in love with several others.))This is one NYCB tradition that continues strong. Gossip and serious criticism have focused on the women in the life of his successor, the Danish-born Peter Martins. Heather Watts, his first and longestlasting American girifriend, is still featured in a dismayingly large sector of repertory. I wrote here about this two years ago; suffice it to say that that her inadequate technique and over-interpretation are such that I, like many New Yorkers, now avoid those ballets in which she is

RecentivMartins married Darci Kistler, the last baby ballerina to have been nurtured by Balanchine and a beloved source of light on the State Theater stage; and she is the ballerina of Martins's new postmodern post-Mozart ballet. Delight of the Muses, set to a commissioned score that composer Charles Wuorinen has based on two Mozart sonatas and stage music from Don Gioponni. The use Martins makes of Kistler is as curious and as dispiriting as the use he has made of Balanchine, whose precedent seems, as ever, to have been buzzing in Martins's head. Whereas Balanchine would often ask a male dancer to partner more ballerinas than one, here Martins has Kistler partnered by two men - Jock Soto and his own son (her stepson) Nilas Mar-

For "partnered," read "pestered."

of the Moscow Patriarch. Wed:

It seldom happens that people They won't leave her alone, and they are forever invading her space. She is forever hedged in, her path blocked, her sky clouded. The mood is meant to be jokey, and Kistler smiles sweetly through everything. But it is a sorry spectacle; the aftertaste is sour Wuorinen's orchestration and rejigging of Mozart has much the same cramped, clever, mean spirit as Martins's adaptation of the high-classical Balanchine-baroque model (in particular, the style of Divertimento no 15, which, for Delight's first two performances Martins featured on the same programme).

One's view of City Ballet is not helped by the fact that Kistler, whose career has been bedevilled by injury, has been dancing way beneath her old form. (She is still under 30.) I saw her also in Balanchine's Duo Concertant and Mozar tiana. Her never-failing musicality always helps her to reveal the shape and spirit of a role; and in both there were moments of of the most radiant purity. There were also however, numerous smudges and

It was more satisfying to watch Kyra Nichols, who is still in her mld-30s the most lucid classicist in the world. I have seen this dancer. again and again in the past ten years and more, make time stop. Suddenly, amid one of her prodigious feats of speed or aplomb, she will make a step stop, slow down or just beam forth with redoubled to be predicted, but when they occur - as this February in Balanchine's Tchaikovsky pas de deux they are always amazing. Yet she is still a glorious dancer in ballets that give her no such opportunities. She now dances the role that in 1980 Balanchine made on Karin von Aroldingen in Robert Schumann's "Davidsbündlertänze"; her lyrlc grace (an improvement, I find, on von Aroldingen's eloquent but heavier, more acted and less danced account) illumined the ballet anew like the white Northern light on the ballet's backdrop. I have never seen Jerome Robbins's Afternoon of a Foun danced with greater simplicity; and she was even more breathtaking in his Dances at a Gatherina.

NYCB has other fine dancers too. I have for some seasons delighted in Damien Woetzel (who often partners Nichols), and now I am also happy to have discovered young Ethan Stiefel. Nichol Hlinka, mentioned above, is a welcomely individual dancer, audacious and darkglowing. There are dancers in the corps to keep Balanchine's picture of youth and harmony in Le Tombeau de Couperin allve. But NYCB's huge repertory needs considerably more strength than this at every level. Every noble deed by Nichols in Robert Schumann is countered by cheap ones from Valentina Kozlova (in Suzanne Farrell's old role) and Heather Watts. Talented dancers such as Peter Boal are too often subdued. Perky soloists like Margaret Tracey or eccentric workhorses such as Wendy Wehelan have been promoted beyond their potential.

Balanchine choreography at its greatest is like nothing else in all of life: it affects one's bearing and sight so profoundly that its use of music and dancers becomes a drama of time and space, Many Balanchine ballets will. I suppose, survive. Other companies dance some of them well; and the School of American Ballet, which feeds New York City Ballet with a supply of exceptional dancers, is still a treasury of Balanchine stylistic wisdom. But New York City Bailet is uniquely placed to honour the work of this supreme artist.

Next year NYCB will honour its founder-choreographer with a Bal-anchine Festival. One wishes it was honouring him better in its day-byday activity now.



AMSTERDAM

Muziektheater 19.30 Julian Reynolds conducts Pierre Audi's production of Mozart's Mitridate, also Thurs and Sun afternoon. Tomorrow, Wed, Fri and Sat ballets by Ashton, Page and van Schayk (6255 455/credit card bookings 6211 211)

BERLIN Schauspielhaus 20.00 Dmltri

Kitaenko conducts the RIAS Youth Orchestra in Stravinsky's Firebird and Rimsky-Korsakov's Scheherazade. Tomorrow: Fabio Luisi conducts Italian orchestral music. Wed: Zubin Mehta conducts the Berlin Philharmonic. Frl, Sat, Sun: Peter Maag conducts the Berlin Symphony Orchestra (East Berlin 2090 2156) Deutsche Oper 19.30 Raif Weikert conducts Lucia di Lammermoor. Tomorrow: Barbara Hendricks, Wed: ballets by Béjart and Balanchine. Thurs: Makropoulos Case. Fri: Entführung. Sat Fidelio. Sun: Tannhäuser (West Berlin 3410 249)

Staatsoper unter den Linden 19.30 Die Fledermaus. Tomorrow: Tannhäuser, Wed: Les Contes d'Hoffmann, Thurs: John Cranko's ballet The Taming of the Shrew. Fri: Die lustigen Weiber von Windsor. Sat: Madama Butterfly. Sun: Lohengrin (East Berlin 2004 762)

ing, in support of the Picasso ballet

BRUSSELS -Théâtre National 20.15 Molière's

comedy Tartuffe, directed by Micheline Hardy. Daily except Sun till April 11 (217 0303) Palais des Beaux Arts 20.00 Philippe Herreweghe conducts La Chapelle Royafe in choral music by Stravinsky. Tomorrow: chamber music by Reger and Prokofiev. Wed: plano recital by Radu Lupu. Fri: Ronald Zollman conducts the Belgian National Orchestra (507 8200)

■ COPENHAGEN

Royal Theatre 20.00 Bournonville double-bill: The King's Volunteers on Amager staged by Anne Marie Vessel, and La Sylphide staged by Henning Kronstem. Tomorrows Lohengrin, Wed: Bournonville's A Folk Tale. Thurs: Ariadne auf Naxos. Fri: Napoli. Sat: opening of week-long Bournonville Festival (3314 1002)

EGENEVA

Grand Theatre 20.00 Friedemann. Layer conducts François Rochaix's production of Cost fan tutte, also Thurs and Sun (212311). Tomorrow and Wed in Victoria Hali: Dennis Russell

Davies conducts music by Elliott Carter, Haydn and Debussy

Salle Patino 20.30 Serenata Quintet in a programme of music by Elliott Carter, who is featured in all this week's concerts of the Archipel testival (475033)

LONDON DANCE

Covent Garden 19.30 Royal Ballet triple bill: Kenneth MacMillan's new choreography The Judas Tree, plus two Balanchine works, repeated tomorrow, Fri and Sat. Wed: MacMillan's Manon, Thurs: Britten's Death in Venice (071-240

Sadler's Wells 19.30 Birmingham Royal Ballet in Peter Wright's production of Giselle. Tomorrow, Wed, Thurs: triple bill including new Oliver Hindle ballet. BRB season ends on Sat (071-278 8916)

Royal Festival Hall 19.30 Chick Corea Elektric Band. Tomorrow: Claus Peter Flor conducts the Philharmonia, Wed: Simon Rattle conducts the CBSO. Thurs: Prunella Scales narrates Walton's Façade, Fri: Mark Wigglesworth conducts the LPO. Sat James Blair conducts the YMSO. Sun: Martha Argerich (071-928 8800) Queen Elizabeth Hali 19.45 Brian Wright conducts Verdi's Four Sacred Pleces and Rossini's Petite Messe Solonnelle (071-928

MILAN

Teatro alia Scala 20.00 Piano

recital by Krystian Zimerman. Tomorrow and Thurs: Iphigenie en Tauride. Fri, Sat, Sun in Teatro Lirico: Perseo e Andromeda, music by Salvatore Sciarrino (7200 3744)

MUNICH

Staatsoper 19.30 Bavarian State Ballet in John Neumeier's production of Nutcracker, also Thurs and Sun. Tomorrow and Fri: Ben Heppner sings the title role in Tony Palmer's new production of Dvořák's Dimitrij. Wed and Sat: Entführung with Edita Gruberova. Sun at 11.00: Wolfgang Sawallisch conducts orchestral music by Bartók and Lutoslawski (221316) Bychkov conducts the Orchestre de Paris in Ravel's Rhapsodie Espagnole, Dutilleux's Metaboles and Tchaikovsky's Fourth Symphony (346620). Wed, Thurs. Fri, Sat Vaclay Neumann conducts the Munich Philharmonic Orchestra In Saint-Saëns and Shostakovich, with piano soloist Nelson Freire (48098 614). Sun in Herkulessaal der Residenz: Lorin Maazel conducts the Bavarian Radio Symphony Orchestra in music by Strauss and Schumann

■ NEW YORK

Metropolitan Opera 19.00 Don Carlo with Vladimir Chernov and Samuel Ramey. Tomorrow: Parsifal. Wed: Rigoletto and Sat. Thurs: first night of Otto Schenk's new production of Elektra,

conducted by James Levine, with Hildegard Behrens in the title role. Fri: Le nozze di Figaro (362

■ PARIS

Opéra Bastille 20.00 Michael Schoenwandt conducts David Pountney's production of Elektra, Huffstodt and Heiga Dernesch. Next week: Un ballo in maschera with Pavarotti (4001 1616) Théâtre des Champs-Elysées 20.30 Academy of St Martin in the Fields in music by Purcell, Bach and Vivaldi. Tomorrow, Wed, Frl, Sat and Sun afternoon: Ballet Cristina Hovos, Thurs: David Zinman conducts Orchestre National de France. Sun evening: Alfredo Kraus (4720 3637)

 This week's other events include an Ecole du Bailet triple bill at the Palais Garnier on Wed, Fri, Sat and Sun (4017 3535); a concert conducted by Armin Jordan tomorrow in the Salle Pleyel (4561 0630); a Respighl and Puccini programme with the Orchestre Philharmonique de Radio France at the Salle Pleyel on Fri (4563 8873); and a song recital on Sun by Cecilia Bartoli at the Châtelet (4028 2840).

■ VIENNA MUSIC AND DANCE

Konzerthaus 19.30 Opera gala with Peter Dvorsky, Lucia Popp and the Orchestra of the Slovak National Theatre conducted by Ondrej Lenard. Tomorrow: old Russian songs with the Chorus

Keller Quartet of Budapest. Fri: Ingo Metzmacher conducts Roslavets and Mussorgsky with the Austrian Radio Symphony Orchestra, Sat and Sun; Ann Murray sings with the Vienna Symphony Orchestra (712 1211) Musikverein 19:30 Uwe Heilmann accompanied by Geoffrey Parsons, sings Die schöne Müllerin, also Wed. Tomorrow: Vienna Schubert Trio. Thurs: Midori recital. Fri evening, Sat and Sun mornings: Claudio Abbado conducts the Vienna Philharmonic in its 150th anniversary concerts. Sun evening: Mirella Freni and Nicolai Ghiaurov sing arias and duets

Ronacher 20.90 Compagnia Nadir of Venice in Caterina Sagna's ballet Quaderni in Ottavo. Vienna Dance Festival ends with performances by Doug Elkins Dance Company on Sat and Sun (586 1676)

(505 8190)

Staatsoper 19.30 Il barbiere di Siviglia with Vessellna Kasarova as Rosina, Tomorrow: Wozzeck. Wed: Minkus' ballet Don Quixote. (51444 2980) THEATRE Tonight, the Burgtheater is

showing The Merchant of Venice. Tomorrow and Wed: Kleist's Penthesiles directed by Ruth Berghaus, Thurs: Claus Peymann's new production of Macbeth, Fri: Walting for Godot, The Akademietheater has Brecht's Baal tonight, followed by two Botho Strauss plays: Die Zeit und Das Zimmer tomorrow and Sun, and Schlusschor on Wed and Fri (51444 2218).

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FINANCIAL TIMES

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Monday March 23 1992

US struggle for the centre

IT HAS been a strange election year in the US and only a fool would rule out further twists and turns of fate. But the current probable outcome is that the battle for the the White House will be fought between President George Bush for the Republicans and Governor Bill Clinton of Arkansas for the Democrats. This promises to be a classic struggle for the centre and one which should offer at least a reasonable choice.

Mr Clinton proclaims now, as he

has in the past, that he is an architect of change. He comes armed with a pocketful of programmes and an inclination for intervention. He does not consider industrial policy a dirty word, but he is no visceral protectionist. He senses that the issues most concerning his country - health, edu-cation, welfare, crime, drugs, can and should be addressed by an activist government. Still, Mr Clinton does not seem to be a classic free-spending Democrat, even though the Republicans will try and paint him as such.

Mr Bush won the presidency on the Reagan legacy and, after some departure from it, now says he is back on course. This means less government, less regulation, lower spending and lower taxes. It does not exclude programmes to meet specific needs, but it is more inclined to let the market, and the individual, decide. Mr Bush is basically happy with the status

Uneven recession

Mr Clinton must argue, as the challenger, that there is some-thing fundamentally wrong with the US economy, Mr Bush, as the incumbent, must hope it will come right in time of its own accord, with more than a little help from the Federal Reserve. The latest numbers suggest it might, though whether to the point that it becomes his decisive ace-in-thehole is questionable. This recession has not only been long but its severity has been unevenly distributed. Confidence in recovery may be equally spotty and hurt the president in states he needs to

But it far from clear that it ranks high on the list of public concerns at present, nor is it an impregna-

There is an impression that this administration has somewhat lost its way since the Gulf war: it is bogged down in the Middle East and aggravating Israel profoundly which might cost at the polls; it is short of ideas on how best to aid the former Soviet Union and unable to achieve a break through in Gatt or, probably, bring to signature this year the North Ameri can Free Trade Area. Still. holding the foreign policy cards usually works to a president's advantage.

Clinton's character

Neither man enjoys the confidence of their party's activists, which is probably to their credit since neither the Democratic left nor the Republican right have much more than slogans to offer now. But the country is patently disenchanted with politics-asusual and both are more than usually political. The Democratic Party's reconciliation with Mr Clinton is at this stage much less than the Republicans with Mr Bush. There is a lot of professional admiration for Mr Clinton's handling of the many allegations laid against him, but his character, in the broadest sense, is an issue in ways in which, rightly or wrongly, Mr Bush's is probably not. If he seriously stumbles, his party would

Mr Clinton, however, has advantages over and beyond being from the south, currently a Republican stronghold, and not living in Washington. He is much younger than Mr Bush, who shows his age sometimes, and probably more articulate. This would be useful in any debate betwen the two, but not necessarily predictably, as the Reagan-Carter confrontation

It would be good if the battle between them could be joined soon, even though the election is still more than seven months away. This would be preferable to the current unedifying partisan battle between Mr Bush and the Mr Bush brings to the fight a which the country emerges no foreign policy record Mr Clinton wiser and no more assured that has had no opportunity to match, the policies that will guide it are and the issue of experience in rooted in sense.

Clucas and the consumer

SOME four years after the UK's The issue of independence has Financial Services Act came fully never been properly grasped: truly into force, Sir Kenneth Clucas has recommended radical changes in the regulation of retail investment. His report suggests the self-regulating organisations representing independent advisers and company representatives, and comes only a week after the publication of the Securities and Investments Board's (SIB) own controversial plan to force life assurance companies to disclose more details of their costs to prospective buy-

ers. The resignation of Mr Tim Miller from the board of Lautro is a reminder of the continuing tensions. Mr Miller, who is marketing director of the unit trust giant M & G, was protesting at the loss of a battle over whether life companies should be able to project future returns on the basis of their actual own costs or of industry average costs. The SIB is content that life offices will have to disclose their own costs in a slightly different form

Haphazard historical development has given life companies big advantages over unit trust groups in terms of the ability to use high-pressure sales methods and to hide their true product costs. Endless complications have developed over the attempts to devise equivalent regulation of the two distinct sales channels used by life companies, direct sales forces and independent financial advisers

Power balance

IFAs have demanded equivalent privileges to avoid full or "hard" commission disclosure, despite their claimed role as independent advisers to their clients. They were given their own regulatory body, but it has proved not to be financially viable. In deciding that it should be rolled up with Lautro. Sir Kenneth Clucas has added a proposal for maintaining an elaborate balance of power within the new agency to ensure that both salesmen and IFAs are fairly treated. But even so there is obvious scope for bitter internal argu-

The story of retail investment regulation is one of slow progress. consistently pursued.

their clients fully into their confidence would not need or even want, to be treated like salesmen greatly assisted by the opaque nature of most life products and marketing techniques.

Now the SIB is at last insisting that a measure of disclosure of company-specific costs must be given to the client at the point of sale. This should ensure an eventual end to the scandal that some life products are successfully sold by sales forces even though the costs are up to three times the average; such policies represent very poor value to the consumer Disclosure of high penalties for early surrender should also reduce the notorious tendency for life salesmen to oversell unsuitable products to clients who are unlikely to keep up the payments.

Public interest

But why is it all taking so long? The decision to rely mainly on practitioners to operate the regulatory system under the Financial Services Act always posed the problem of how the public interest could be properly represented. The SIB has chosen to seek some kind of a consensus, and has therefore found it hard to cope when heavy lobbying has been conducted by investment industry interests and the consumers' point of view has been less forcefully put. In wholesale markets, where the various interests tend to be better balanced, the problems do not appear to have been so deep-rooted, although again the general public interest may not get a proper

hearing. With political change in the air there is again discussion of whether the UK needs a US-style SEC. This may be a red herring, and even the Labour party has stopped talking about purely stat-

utory solutions. Yet over time, as the regulators gain in experience and self-confidence, it would be natural to expect the influence of the practitioners to fade away and the public interest, rather than convenient compromises, to be more



Labour's plans for public spending.

These charges and counter-charges are at the heart of the elec-

Whatever the truth. Mr Smith has been winning the battle of appearances. In his shadow budget, presented last week, he promised to raise additional net revenue of 23.3hp in 1992-93 (half a percentage point of gross domestic product) and £6.8bn in 1993-94 (one percentage point of GDP), by comparison with the budget presented by Norman Lamont. The Conservatives wished to make these proposals appear threatening to a substantial proportion of the electorate. They have failed.

As the Institute of Fiscal Studies efit substantially.

impose on the higher paid and for its longer term effect on incentives. Since each adult has one vote in an election, however, it looks politi-cally invulnerable. The more Conservatives focus their attack on Mr. Smith's shadow budget, the more voters are likely to appreciate the transfers propose

The Conservatives need a knockout punch. The campaign against Labour's wider spending plans is to be that punch. The items they enumerate are.

 increased basic pensions, costed equalisation of pension age at 60, costed at £3,000m;

• funeral payment of 2000, costed at £80m: allowances, costed at \$2,140m;

at £400m: restoration of benefit rights to 18 and 17 year-old, costed at 2100m; income support, costed at £175m;

• implementation of these pledges in Northern Ireland, costed at

Labour's manifesto, it claimed, has 37 policy pledges that would cost \$37.9bn by the last year of a full parliament, in current prices.

tion campaign. The Conservative party seems to have abandoned hope of convincing the voters that a fourth term would do them good. What it wishes to do, instead, is frighten them about Labour's harmful intentions. So is John Smith the sober and responsible chancellor-inwaiting that he appears to be? Or is he, as the Conservatives argue, the respectable face of the spendthrift

has pointed out. 48 per cent of the population would be better off under the Labour budget than under that of the Conservatives, 35 per cent would be in roughly the same position, while only 17 per cent would be better off under the Conservatives. The majority of the electorate would, therefore, either be unaffected by these proposals or especially if they were on below average incomes and were either naioners or parents ~ would ben-

Such a budget may be harshly criticised for the shock it would

 uprating of pensions in line with earnings, costed at £2,100m; • equal funding for public and private residential homes, costed at

• disability benefits, costed at

increased maternity pay, costed.

 replacement of the social fund, costed at £160m;

increased spending on National

A price-tag on the battle of the On Saturday, the Conservative the promises party shifted its focus towards

> Martin Wolf examines the Conservative party's criticism of Labour's hidden agenda for increased public spending

 abolition of charges for eye test, • free dental checks, costed at

 abolition of compulsory competitive tendering, costed at £50m;
• increased investment in housing, costed at £3,000m;

a high-speed rail network linking every region to the Channel Tunnel costed at £3,000m; • improved public transport for

• concessionary fare scher costed at £100m; • increase in share of GDP spent on education to 1979 level, costed at

52.600m:

costed at £300m; ployed, costed at £300m increased spending on training

costed at £200m • reaching aid target of 0.7 per cent of GDP, costed at £2,500m; establishment of regional development agencies, costed at £260m; establishment of regional councils, costed at £270m;

• remuneration for councillors, costed at £50m; • increased powers for local authorities, costed at £3,000m; more policing, costed at £270m; • improved access to legal aid, costed at £115m;

• a Welsh Assembly, costed at

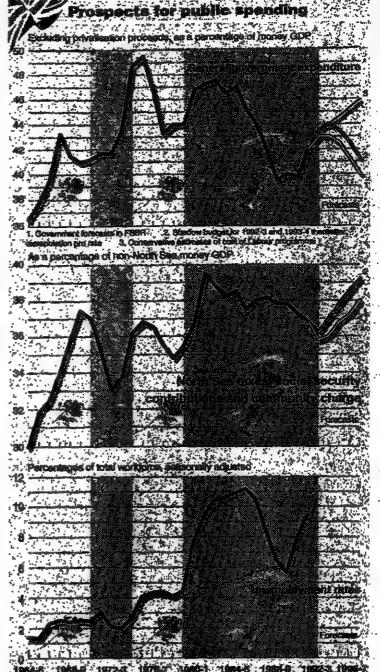
• implementation of the European. Social Charter, costed at 2600m; • contribution to increased BC regional aid, costed at £200m; and • improved public sector pay and conditions, and introduction of a statutory minimum wages, costed

gainst this list, what Mr Smith has definitively proposed would in 1993-94. Specified items would be the increase in the weekly state retirement pension by £5 for a singie person and £8 for a couple, costing £2.5bn in a full year, and the increme in child benefit to 29.25 for all children, costing 2750m in a full shadow chancellor's proposed increase in net taxation would then go on health, education "and other

Included in Mr Smith's sums would be immediate implementation of a £1.1bn "Recovery Pro-

gramme", embracing:
• embanced first year capital allowances in manufacturing; • measures to help small business; a new skills fund and restoration of cuts in Employment Training

and Youth Training: a job experience programme for



held by local authorities from the sale of council houses; and a pilot lessing programme for

So how plausible is the Conservative complaint of a not-so-hidden . Labour Party spending agenda? That Labour has intentions in all the areas listed by the Conservatives - some more, some less specific - is clear. But one must question the costings. Would increased powers for local authorities, for example, cost £3bn? Would

improved public sector pay and the

implementation of the national min-

imum wage cost 23.6bn? Would a high speed rail link to the Channel Tunnel cost 23bn in a single year in the life of the next parliament? Nevertheless, Conservative charges cannot be ignored Labour

has many commitments in its programme. Where might the money

The charts give the background, including forecasts based on the Financial Statement and Budget. Report 1992-93. The government's own forecasts imply an increase in. the share of non-north sea taxation in GDP, as the recovery takes hold.

The increase in public spending as a share of GDP is largely explained by the recession, as was the case in the mid-1970s and, still more, the early 1980s. On these forecasts, however, the share of public spending in GDP would remain below levels reached between 1973-74 and 1986-87.

Suppose that Labour only increased public spending and taxa-tion by the amounts already announced, plus by the notional tax reductions pencified in by the goverument for 1995-96 and 1996-97. The result would be only modestly above the government's forecasts.

What would happen if the Conservatives were right? Public spending. on the government's growth assumptions, would rise to 46 per cent of GDP. This is, it should be noted, no implausible figure. The burden would still be lower than in the mid-1970s and in the early 1980s. But it would be at least 6 percentage points higher than the Conservatives forecast, optimistically, for

othing suggests that ter under Labour than the Conservatives. Neither is likely to do casts: economic growth at an average of 3 per cent a year between 1991-92 and 1996-97 period. This is as fast as the recovery from the last recession, even though there is to be no sterling devaluation this time, while real interest rates are high and the personal sector remains highly indebted.

Even with this recovery, public spending at 46 per cent of GDP by 1996-87 would not be consistent with the Masstricht target, which is for a public deficit of 3 per cent of GDP in a normal year. Without the "fiscal adjustment" and carrying forward Mr Smith's proposed tax increases, general government receipts would be about 40.5 per cent of GDP in that year on Treasury assumptions

for economic growth. This would imply an overall deficit - under full implementation of Labour promises, as costed by the Conservatives. - of some 5-6 per cent of GDP. To reduce that to the target of 3 per cent of GDP would require not the tax increases that the Conservative are suggesting. but about half that amount. The reason for the difference is that the Conservatives intend to lower the borrowing requirement to % per cent of GDP by 1996-87, while Labour might stick to the Maastrich 3 per cent. Nevertheless, even with the hoped for recovery, Labour could not implement all its dreams, without extra taxation of perhaps 2-3 per cent of GDP. Yet this is not the worst possibil-

ity. What would happen if growth were to average only 2 per cent over the next five years? Other things equal, revenue in 1996-97 might then be more than £15bn less than now forecast by the Treasury for that year, equal to some 2 percentage points of GDP. Even for the government that would mean a PSBR at about 8 per cent of GDP. all its aspirations, the deficit could be 8 per cent of GDP.

Underneath the smoke is a real battle. It is likely that no increases in government spending above those already planned can be allowed, without breaching the 3 per cent limit agreed at Maastricht, even five years from now. The growth dividend - and even then a modest one - will arrive only if the Treasury forecasts are right. If the Labour Party were determined to spend substantially more in real terms than already announced in its shadow budget, further tax

THE STATE OF THE STATE OF THE STATE OF STATE OF

More spring in the cat

Jaguar's new chairman has to make Ford's investment in the company pay off, writes Kevin Done

ince Ford acquired Jaguar for 21.6bn in late 1989, the UK luxury car maker's losses have mounted inexorably, while its sales have almost halved.

This week, Mr Nick Scheele, a 48-year-old career Ford executive, takes over as chairman and chief executive. His task is to restore the lustre to the tarnished Jaguar name and undertake the most ambitious new product programme in the

company's history. Whatever their private doubts, Whatever their private doubts, ford's top executives declare publicly that their commitment to the Coventry-based prestige car maker is not wavering. They insist that the strategy of taking ford, the world's second-largest car maker, into the highest echelon of the luxury car market through the acquisition of Jaguar was right.

"We all voted for it, none of us was in the men's room," insists Mr Allan Gilmour, Ford executive vice-president

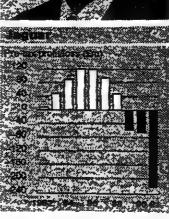
The financial pain at Jaguar is severe, and Ford has been forced to add fresh equity to shore up Jag-uar's balance sheet after its record 1226m pre-tax loss last year. Yet Mr Louis Ross, head of Ford's international automotive operations, claims that Ford is prepared to take the long view of its acquisition.

"We bought Lincoln (the US luxury car marque) in 1921, and it was 1963 before it made a profit. We are going to beat that record substan-

But the targets for putting Jaguar back on the road are more onerous. and Mr Scheele admits that he faces a "fairly daunting task".

Born in Essex and a modern languages graduate from Durham University, Mr Scheele has been on a fast track at Ford since joining the group as a graduate trainee in 1966. After spending 12 years with Ford of Britain, he moved to the US in 1978 to work on developing a world





strategy for parts and materials purchasing. He eventually ran the \$10-\$12bn purchasing budget for most of Ford's North American asembly plants.
Mr Scheele has been parachuted

into Jaguar from Mexico City. For the last four years, he has been president of Ford of Mexico, where in contrast to the challenge at Jag-nar, the main problem was how to increase output to meet rapidly ris-ing demand in the domestic market. Mr Scheele has to fill the vacuum that will be left by the early depar-

ture through poor health of Mr Bill

Hayden, one of the most experi-

Within months of arriving at Jaguar in 1990, Mr Hayden - one of the first European car executives to recognise the scale of the competitive threat posed by the Japanese car industry – was comparing its Brown's Lane assembly plant with the Russian car plant in Gorky. He quickly saw that Jaguar's engineer-ing and manufacturing operations suffered from fundamental quality and productivity weaknesses.

In the last two years, he has worked hard to reform the company's antiquated working practices and to introduce rigorous cost and quality control systems.

Under the burden of recession in its two main markets, the US and the UK, Jaguar sales have plunged precipitously. Production fell to only 23,018 units last year from the peak of 51,939 in 1988. The workforce has been cut to 8,000 from 12,100 in the last 12 months.

Mr Hayden's tough reforms are starting to pay off, however. Mr Scheele says productivity improved by 23 per cent last year and that the company is on course for a further 25 per cent gain in 1992.

Ford has brought in its own Uniform Product Assessment System for auditing quality, and by this measure the number of defects per hundred finished cars coming off the Jaguar assembly line has been reduced to less than 500 from close to 2,500 in early 1990.

"I hesitate to think what it was like two and half years ago," says

It will be a long hand but the agenda is clear. Mr Scheele says: "We must continue the progress in productivity and quality, develop the new model programme, generate sales, and get a return that is



After a divisive meeting in Kiev, the republics of the former Soviet Union face a mounting crisis of cohesion, says John Lloyd

Fault-lines spread from without to within

r Leonid Kravchuk's astonishing display of frankness at the end of the summit meeting of the Commonwealth of Independent States on Friday has effectively undercut whatever grounds that organisation may have for remaining in effective existence - though its paper form may continue for some time yet. The Ukrainian president said

the CIS had done nothing useful in its short life of four months; that it was probably doomed; that Russia would never permit a discussion of the division of what had been Soviet property at home and abroad, and is now effectively Moscow's property since Russia has proclaimed itself the successor state to the Soviet

Though he is living danger ously, Mr Kravchuk has little choice but to take a tougher line with Moscow and little reason for preserving the pretence of harmonious co-operation between the CIS partners. The national temper continues to rise in Ukraine, as every. Russian act is interpreted as threatening, and Mr Kravchuk relies increasingly on the nationalist parties and groups for his political survival.

The best reason for staying within the CIS was to retain leverage over the Russians and to try to persuade them to moderate energy price rises. But it seems certain Ukrains will soon lose that battle. Mr Viadimir Lopukhin, the Russian energy minister, is likely to cut subsidies for oil supplies to Ukraine.

Hence Ukraine's stance at the CIS meeting, hence the underscoring by General Konstantin Morozov, the Ukrainism defence minister, of the fact that Ukraine has signed no military treaties with other CIS members; hence the comments by senior Ukrainian officials that this was the last, or at best the penultimate. Commonwealth summit.

Since the Ukrainian-Russian relationship is the indispensable pivot of any such grouping this probably means the end. But this is no bad thing: the reasons for the Commonwealth were high-sounding but empty, like much of the former communist rhetoric of the Gorbachev period. However, unlike still earlier communist rhetoric, there is no underlying coercive strength, rooted in the party and the secret police, to

ensure cohesion remains. There are good reasons for a Commonwealth - the need to preserve economic ties, to develop civilised approaches to each others' minorities, to. address the national conflicts,



Laonid Kraychuk apeaks his mind in Kley

to conflate the former Soviet

Union with present Russia, to claim and hold former USSR

property and assets, and to

seek some general hegemony over the former Soviet area,

mainly on security grounds. Russians of any opinion would

agree that a potentially hostile

government in Kiev would be

intolerable, although they

would divide on whether or not

to prevent that by diplomacy

thinks of itself as a great

power, and does not think that

way about any other member

take seriously the national

agendas of countries like

Ukraine, since Moscow's first

concern is to ensure they do

not threaten or harm the supe-

forces Russia to face up to life

after the Soviet empire - a

tain to be replete will all kinds

of insults from former depen-

dencies - and one which is

fraught with danger. But there

is no alternative, for the neigh-

part of the modern world.

The Ukrainian challenge

rior world role of Russia.

It is thus difficult for it to

of the Commonwealth.

ultimately, force. Russia

to divide property rationally, to maintain common services and common security and to assist in the similar tasks with which all are confronted in their stated aims of making the transition from totalitarianism to democracy and capitalism. But these ambitions are now

for the birds. Nationalism is far too strong and the resurrection of long-buried grievances too common. Add to this the interests of the ruling elites in the republics - who see diplomatic prestige and opportuni-ties for self-enrichment in greater independence - and it easy to grasp the lack of interest in doing more than observe the pieties of post-So-

viet co-operation. The Friday session of the CIS showed that Ukraine is ready to propose ifiself as the model for this process towards greater independence: insisting on its right to be a nation mencumbered by the anoma-lies which the Soviet past has left, such as the presence on its territory of military formations owing their allegiance to another state power.

The contrary pole is occupied by Russia, which wants the Commonwealth to stay together. However, it has no clear position on what positire to adopt within the organisation. In general, the temptation for any Russian government is

of these minorities number just in millions, often have territory named after them. These areas are now home to stir-

The most populous of them, Tatarstan, has just voted for independence with a 62 per ple, the Volga Tatars, make up some 48 per cent of the nearly 5m of the autonomous republic's population: Russians account for some 42 per cent

nic-Russian people on its terri-

tory. Other republics have

such problems too. Georgia

and Azerbaijan, for example,

are in a state of war with

But Russia has by far the

largest dilemma in the shape of

the peoples who are the

descendants of Caucasian,

Siberian, or other races, Some

It remains to be seen how far the leadership of the republic will go. The best guess must be that Mr Mintimer Shamiyev, the president and a former Communist party first secretary for the republic, will push it as far as he can. Tatarstan pumps 30m tonnes of oil a year, enough to make it rich if it did not have to share them with the rest of Russia.

Of the other 19 autonomou republics within Russia, only Chechenia in the Caucasus has also said it will be independent (it also has oil, and is even more Moslem). The other 18 last week initialled a federative treaty, under which they were given some important concessions – including joint control of mineral rights – but agreed to allow Moscow to be responsible for most state-like functions. However, this has to be ratified by the parliaments of these republics. Already, the Kabardina-Balkaria republic in the Caucausus has demanded

changes before it signs up. Russia has a problem of vast scope here. Other empires were able to slough off their subject peoples, and were usually able to wring their hands at a safe distance over post-imperial conflicts. Russia's empire was both contiguous (the former Soviet republics) and internal ised (the autonomous republics and districts). It may be able to let the first part go and work out a modus vivendi with its members. But it is beyond present understanding how it can at the same time allow the autonomous republics the freedom some of them desire while constructing a unitary Russian state in which all have equal

bouring states or for Russia, if it is to fulfil its wish to become rights and duties. The Commonwealth may be nearly finished, but the drama But there is an even more painful matter for Russia, lurkof the large and small nations emerging from the ruins of the ing within its borders. This is the future status of the auto-Soviet Union is only now nonomous areas and non-eth-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters should be clearly typed and not hand written. Please set FAX for finest resolution

Challenges to the Alan Sugar view

From Paul Goggins.

Sir, It is rare to encounter an emotional outburst in a newspaper which prides itself on fact and accurate analysis. It is perhaps a healthy thing in this age of slick political advertising that people still have a chance to speak from the heart, but Alan Sugar's letter (March 19) simply cannot go unchallenged

First, he bemoans his "mea gre salary" of £170,000 and the collapse in the value of his shares to £100m. Before he complains too loudly perhaps he should consider the fact that the same society which has provided his markets and opportunities has also seen a doubling of poverty in the 1980s and 1990s with about 12m people on incomes below half the average. Behind this statis-tic are real people who simply do not have enough to feed and clothe themselves.

Second, he suggests that yes-terday's "barrow boys" are today's share dealers and that limitless opportunity is there for all to grasp if they want to. He should realise that for many, prosperity is prevented by crumbling schools, poorquality training and dearth of job opportunities.
Mr Sugar acknowledges that

more should be done to help the poor but his claim that the "them and us" situation has disappeared is total nonsense; 2.7m unemployed people, 0.5m homeless people, and 10m people dependent on means-tested benefits bear witness to that.

If only the talent, enterprise and organisation which Mr Sugar told us has gone into making and marketing satellite dishes was put into solving the housing and unemployment crises, perhaps we could end the scandal of poverty. Paul Goggins, National Co-ordinator

Church Action on Poverty, Central Buildings, Oldham Street, Manchesia

From Mr Colin Fisher. Sir, I could not let Alan Sugar's letter pass without response because of the high

Nothing voluntary in low pay From Professor Brian Towers. ing adults" model is catchy but pure fiction. Low-paid workers

Sir, Samuel Brittan's disappointment over the quality of the debate on the economy in the election campaign so far (Economic Viewpoint, March 19) is certainly justified. It falls short of even the mediocre, with little attempt to relate the proposals put before the electorate to macroeconomic goals, especially economic growth and the reduction of unemploy-

Yet Brittan himself is not above criticism on the score of shallow thinking. Why is it that economists of his persuasion straying into labour mar-ket analysis refuse to reconof the evidence? His "consent-

regard in which I bold him.

Like him - but not on his scale – my partners and I have built up a successful and profitable business from scratch through the 1970s and 1980s. For most of that time the marginal rate of tax was not 40 per cent but 85 per cent initially and latterly 60 per cent - I had no unearned income to be taxed at 98 per cent.

The marginal rate of tax made not one whit of difference to our efforts to grow our business. If anything, the fact that the marginal rate was high encouraged us to do what we wanted to do anyway -

ferent for corporate managers, for those of us who grew our businesses the combination of a tough marginal rate (and 60 per cent is tough enough) and a corporate tax regime which encouraged retention and rein vestment was good for busi-

we want all our business build ers to retire at 35 and all our corporate managers to see the themselves or paying share holders Colin Fisher, 74 South Side. Clapham Comm

generally remain in their condition because labour markets are segmented. They have no realistic possibility of improving their pay and conditions given limited employment alternatives and the overwhelming bargaining advantage of their employers.

To perceive this as a voluntary bargain between even approximate equals is a non-

Intervention to redress this imbalance can be via government or collective bargaining. Neither of these is perfect, but while they may lead to some employment, research also sugproductivity. A particular example of this is the mini mum wage which has been well researched in the UK both in its wages council and single national minimum forms.

For its social as well as its important to address with some seriousness the scandal of widespread and endemic low pay and poverty in employ-ment. Samuel Brittan's casual blackboard theorising will not

Brian Towers

Industrial Relations Journal Strathclyde Business School, University of Strathclyde,

Glasgow sive income compensation to

Gatt plan and quantity

conflict From Mr Michael Tracy.
Sir, In your article "German proposals may save next round of Gatt" (March 18) your cor-respondents in Bonn and Washington refer to Chancellor Kohl's initiative aiming at a freeze on US exports of cereal

invest in our business.

While I accept it may be difness growth.

The current bias towards distribution introduced by Nigel Lawson is ideal if as a society choice as between paying

enother matter. This will inevitably lead to conflicts between member states - how much French wheat should get subsidy, as against how much British barlev...? The next step would be the introduction of quantitative controls over grain pro-

substitutes to the European

Community and, in return,

quantity restriction on EC agri-

While it is desirable that

level of EC agricultural export

subsidies should be reduced,

quantity restrictions are quite

cultural exports.

duction, provoking interminable and probably insoluble political and administrative This approach might indeed suit Germany, which wants to keep a high-price Common Agricultural Policy corseted by supply controls, but it is the wrong path to "reform"; price

cuts as envisaged in the

McSharry Plan, with degres-

farmers, are the right way. It would be paradoxical if the outcome of trade liberalisation were to be an even more highly-regulated CAP. Michael Tracy, Lo Bergerie, 30 rue Emile Francois,

Women at the Bar

From Mr Stephen Sediey. May I correct two inaccuracies which crept into your otherwise excellent article on the forthcoming survey of women at the Bar ("Bar sets up probe into sex discrimination", March 16).

First, women at present constitute 18.5 per cent of the total number of practising barristers in England and Wales, not 9 per cent.

Second, the survey is being funded jointly by the Bar Council and the Lord Chancellor's department. The figure of 25,000 is the contribution from the Lord Chancellor's department towards the total cost of Stephen Sedley, chairman.

sex discrimination committee. General Council of the Bar, London EC1Y 7AA

OBSERVER

Stand up and be counted

■ One of Observer's grouchlast bugbears is so-called general knowledge quizzes. Besides being tarted up with names like Mastermind when all they really call for is memory, the knowledge they test is rarely if ever general.

What most of them are about is solely arts-type knowledge, with scientific and mathematical questions hardly ever getting a look in. So hearing the Ashburnham

Arms in London's Greenwich

runs an unusually good quiz

on Tuesdays, Observer called in...only to be disappointed. It suffered from the same fault. Seeing my black looks, however, the pub's tenants Dave and Debbie Head agreed to let Observer sponsor seven numeracy-linked questions as a supplement to the next regular contest. On the night, some 40 people took part. The average score was lowish at 2.9 points out of the possible seven. But two contenders got four points, another got five,

and the winner scored six. Which prompted the idea of printing the questions to see whether FT-readers could do any better. They are:

1 What is the conventional name for the result of dividing the circumference of a circle by its diameter? 2 What is 12% per cent of

60 per cent? 3 If 93 people enter a knock-out singles tournament at tennis, how many matches are needed before one player

emerges as overall winner? 4 Paper sizes, such as A3 and A4, are designed so that when any size is cut in two half-way down its longer side, the result is two smaller sheets each the same shape as the higger one. In which case, if the length of the shorter side is taken as 1, what

mathematical relationship to that I is borne by the longer 5 Name the ancient philosopher specifically

associated with the theorem

which sheds light on question 6 What - apart from the fact that no other number is the same as it - is unique about the number 1,729? 7 Name the unusual

mathematician who saw the answer to question 6 instantly? There, then, is the challenge. Whereas the pub's customers had only an hour to work on it (they are of course barred from entering this re-run), readers have until the last post tonight to mail their entries. or until 6pm London time to fax them to Observer on 071-873 3926 or. if that's engaged, 071-873 3196. Telephoned entries won't be

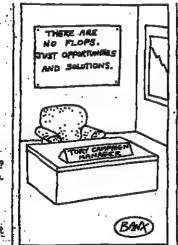
The winner gets a bottle of malt whisky. If necessary, there'll be a tie-breaker consisting of a straight question plus an ultimate decider testing not numeracy, but extra sensory perception.

Play the game

■ Does England have Australia media tycoon Kerry Packer to thank for its surprise win against South Africa in yesterday's semi-final of the cricket world cup?

Few people understand the new rules for rain-affected matches and even fewer can identify who thought them up. The controversial item is covered in the "Play and Conditions for the World Cup": which is approved by the International Cricket

Conference. Even so there is a suspicion that cricket's grey administrators, who agreed the new rule, may have been over-influenced by the need to keep their TV paymasters



happy. The Sunday Times reported last week that the idea behind the present rule came from Australia's voice of cricket Richie Benaud via PBL Marketing, a consultancy which has been closely identified with Kerry Packer's channel 9 TV network. Benaud is not on the organising committee but given his stature in the game his opinions are bound to get a

hearing. There is no dispute about the sense of designing a rule to get a result at all costs. What is odd is the arbitrariness of the rules. The match was already being floodlit so it could easily have been continued after the

showers. However, this might have caused havoc with the local TV schednles, especially if Australia had been playing.

Pay-off

■ There was something not quite right about last week's excellent annual Coopers Deloitte PLC Awards dinner at London's Grosvenor House hotel. True, attendance at what | to clear.

used to be known as the USM dinner was 17 per cent up on a year ago and guest speaker Norman Tebbit, the Conservative party's old hachet man, was in rollicking

Perhaps it was the drink, but Observer had some difficulty reconciling Tebbit's enthusiastic support for Britain's small companies with his own undoubted preference to sit on the boards of not particularly well-managed corporate glants like BT, Sears and BET. Then there was David Goldman, chief executive of The Sage Group, who won the entrepreneur of the year award. Unlike most of the other self-made types at the dinner, Goldman is a socialist, and proud to be one. There ought to be more like

Lamentable

Small companies welcomed Norman Lamont's Budget companies to pay their bills on time. So why, ask the approved managers in last November's BT sale, has the government still not paid them? According to government officials, the approved managers, mainly small stockbrokers, submitted inaccurate bills - now they have been sorted out the brokers should get paid next month. Not so, according to the said managers who had been led to believe it could take a year to pay them. Whatever happens, it does not seem likely that the government will pass the Lamont bill paying test.

Potted history

■ Shop sign in Brighton: Special separation offer -Sarah-and-Andrew bowls, 75p

ATT DE

THE HOTEL GROUP ... Highlights 1991

Mandarin Oriental

Difficult year for hotel industry

■ Profit after taxation Earnings per share

-17%

 Dividends maintained "While hotel markets remain fragile, the improvement in the second half of 1991 has

continued into the early months of 1992. The Group enjoys enviable financial strength at a time when the industry as a whole is experiencing considerable strain ... Mandarin Oriental is in a good position to take advantage of recovery in world travel and to respond to any new investment opportunities that may emerge."

SIMON KESWICK, Chairman 20th March 1992

1991 RESULTS	200	7 76 1
	Year ended 31 1991 USSm	1990
Tumover	127.2	124.0
Operating profit Share of profit of associates	32.9 13.3	36.0 14.7
Net interest (expense)/income	(2.8)	1.1
Profit before texation Texation	43.4	51.8
Company and subsidiaries sesociates	(2.2) (3.7)	(2.3) (4.3)
Profit after taxation Minority interests	37.5 (0.1)	45.2
Profit effer troution and minority interests Extraordinary items	97.4	45.2 19.5
Profit attributable to Stareholders Dividends	37.4 (33.8)	64.7 (33,8)
Transfer to reserves	3.6	30.9
Shareholders' funds	643.7	835.2
	US¢	USc
Earnings per share Dividends per share	5.52 5.00	6.68 5.00

ndarin Oriental International Limited



The Register of Members will be closed from 18th to 22nd May 1992 inclusive to identify those Shareholders entitled to the proposed final dividend of USax per share which will, subject to approval at the Annual General Meeting to be held on 3rd June 1992, be payable on 10th June 1992. Shareholders registered on a section of the Jersey branch register of members who wish to receive their dividend in Florig Kong Dollars, or Shareholders registered on the Hong Kong Dollars, sucul notify the Company's registerar or one of the Company's transfer agents on or before 18th May 1991. Shareholders whose shares are held through the Contral Depository System in Singapore ("CDP") will receive Hong Kong Dollars unless they elect through CDP to receive United States Dollars. The Hong Kong Dollar equivalent of the dividend declared in United States Dollars will be calculated by reference to a rate pravailing five business days prior to the payment date.

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FINANCIAL TIMES

Monday March 23 1992

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Albanian Democrats expect win An Irish model for Britain

By Kerin Hope In Korcë, Albania

OUTSIDE what in communist days was Korcë's Palace of Culture, a line of neatly dressed Albanians waited to vote yesterday in the country's second free elections in just under a year.

There was almost complete silence inside, as voters marked their ballot slips behind a bright orange curtain and dropped them into a box sealed with string and Plasticine.

Polling seemed orderly in Korcë, the largest town in southern Albania - in contrast with last year, when voters, especially in the surrounding villages, were physically intimi-dated by the security police, according to candidates and local officials.

The Democratic party hopes to reverse last year's defeat by the Socialists, the renamed commu-nists, by attracting a substantial percentage of votes in the coun-

"Last year we won in Korcë and most towns but we lost the election because we didn't have transport to reach the villages, says Mr Petrika Minga, the Democrats' district chairman.

As well as owning battered cars now, Democratic party candidates have been covering the countryside in brand new American leeps, accompanied by Amer-Ican diplomats. This helps reinforce an impression, already widespread among Albanians, that US aid and investment will be the key to rescuing the country from its deep economic

The Democrats predict they will win about 55 per cent of the vote and an overall majority in parliament, which will have up to 155 seats, depending on how many parties meet the 4 per cent of the vote threshold for representation in the chamber.

Although 11 parties are fielding guards. candidates, the Social Democrats and the conservative Republicans are alone among smaller groups in expecting to win more than the odd seat. The Human Rights Committee, an umbrella for the ethnic Greek party banned from this year's election, complains that several of its candidates were illegally prevented from

The Socialists, who claim they



Taking hold: Albanian Democrat Sali Barisha greets his supporters after casting his vote

will be the strongest parliamentary party, say that because of a flercely polarised political climate only a coalition of politicians and technocrats from all big parties will be able to govern the country.

But it has been under a succession of weak and quarrelsome coalition governments that Albania has slipped into near anarchy in the past nine months. Many local officials carry pistois to work and foreign businessmen have been forced to hire body-

The country now depends mainly on foreign aid, provided mostly by Italy over the winter. for basic food supplies. Albania's industrial output is down to about 20 per cent of its levels before the Stalinist regime col-lapsed at the end of 1990, and seems likely to fall further, since much post-election aid will have to be channelled into food proAlbanians returned to the polls yesterday after a year of multi-party democracy for an election that could break the former communists' grip on power, Reuter reports from

whose inexperienced Democratic party was trounced by the former communists in last year's polis, said: "This day marks the end of communism and the beginning of democracy

Opposition leader Sali Berisha,

Turnout was high in the capital, Tirana. However, many voters delayed their arrival at polling stations until they had queued

for bread - distributed by the army - a daily necessity in the

were kept open beyond their published hours to cope with many last-minute voters. No big disturbances were reported.

The elections, in which more than 500 candidates were fighting for places in a new 140-seat assembly, caps a year of political and social turnoil as Europe's poorest state tries to cope with the birth-pains of Results are expected today.

But even so, farm production will be only around 25 per cent of last year's because disputes over land privatisation meant that virtually no cereals

were planted last autumn. Whoever comes to power in Albania now must be an optimist," says Mr Ilir Manushi, the Korcë district governor.

ARE YOU worried about a hung parliament? Afraid of electoral reform? Nervous about sterling? Just plain sick of the election? A good cure for these common complaints, as I discovered last week is a visit to Dublin. It is not only as enjoyable as ever, but unexpectedly educational Reassuring.

Ireland has a weak economy - for the moment at any rate - and some major financial scandals. It has recently dumped a charismatic prime minister, and thanks to proportional representation, it has a more or less permanently hung parliament. Yet over the past few years it has wrought some astonishing changes. It has reduced the government deficit from 13 per cent to 21/2 per cent of GDP; and plans to eliminate it altogether. It has achieved a large trade surplus, and pushed inflation down from the high beens to under 3 per cent. It is hard to esist repeating one of the great journalistic misjudgments of all time, and say: "I have seen the future, and it works." Only up to a point, as we will

What does work, though in a rather Irish fashion, is coalition government; it can get you in to the most terrible trouble, but it can also get you out again. What it takes is a sufficient ense of national crisis; given that, a strong leader seems able to get away with anything. Mr Charles Haughey seems to have modelled his conduct on that of Governor Huey Long of Louisiana, who won an election by promising to cut taxes and promptly raised them as soon as he was back in the governor's mansion. An aide asked him how this should be explained to the press. "Tell them I lied," said the governor, and he got away with it. Mr Haughey won his last election but one by denouncing the painful squeeze which has been mounted by Mr Garret Fitzgerald, then Fine Gael leader; but as soon as he took office, he mounted a still fiercer one, and with opposition support. It was not very long before he felt (mistakenly) strong enough to call an election in the hope of winning a working majority. He is now a senior victim of the financial scandals; but his successor, the pragmatic Mr Albert Reynolds, is following the same fiscal strategy. Consensus rules.

The success which has formed this consensus is especially interesting from a British point of view: the totally successful unilateral devaluation of 1986. This had almost none of the bad effects we are taught to expect. There was a shortlived spike in interest rates, but that is all. Unit costs remained under tight control.



By Anthony Harris

and the competitiveness gained six years ago has not only been sustained,

In spite of a boom in output, which has now fizzled out, inflation went on falling, even in this very open econ-omy. This is because the policies equired to make devaluation work a fiscal squeeze, and a consensus on wage restraint - were already in place. After a hiccup, it was even possible to sell ever-rising amounts of Irish government securities to German investors, at quite a modest yield premium. The whole history is a model of how ERM disciplines are supposed to

The Irish are now intansely interested in our own election, though not

A coalition can get you in to the most terrible trouble, but it can also get you out again

in a partisan way; the outcome they most fear is one the City might welcome — a Conservative government depending on Unionist support. They are also, not surprisingly, intensely nervous about sterling. Given their own experience, devaluation looks an obvious policy option; but a sharp move - certainly one which put the frish punt at a premium to the pound
- would put them in a painful dilemma. To be sure, all British parties publicly reject the option; but you don't have to be Governor Long to lie

about the parity.
Politics apart, though, the case is not cut and dried, Ireland has one bit of luck which will not fall to the next

British government: the D-Mark was an almost ideal anchor for the system in the late 1980s. Germany had low inflation, low interest rates, and was a large-scale capital exporter. That is now sadly changed, of course, and the present German profligacy faces fellow-member of the ERM with the unpalatable choice neatly summed up by Brian Reading in a Lombard Street circular this month: imitate German fiscal profligacy, or grin and bear a long economic depression. Possibly

In one sense that argues for devaluation: if you know you are going to have the hangover, in the form of high real interest rates, you might as well enjoy the drink. But in another it argues against it: the deterioration in German cost performance, as well as the improvement in British, means that it is now quite realistic to hope that we can go on gaining competitiveness without changing the parity.

It is a difficult judgment: how far is sterling overvalued at the moment, and how long will it take to adjust? If this was simply a British decision, I would support sticking to the parity, while cursing those who chose it; but the judgment may not be left to us. At the moment Dublin's worries seem to be largely local; but should they become widespread — as a result, say, of a new deterioration in our trade performance - they would be hard to

And probably not worth resisting. A British devaluation might work rimost as well as Ireland's. The private sector squeeze on costs and bor-rowing is every bit as fierce as any government policy, and is not a prey to political whims.

Indeed, in an important sense the Irish strategy would be more appropriate for Britain than it is for Ireland. The present Irish figures are an amazing achievement of political will power, but possibly a perverse one. The current account surplus means that Ireland, which has a tragic unemployment problem, is now exporting capital as well as labour, hardly the appropriate balance for an undereveloped country.

This is partly the result of a mistaken industrial policy. Foreign com-panies attracted to Ireland by low corporate taxes use transfer pricing to generate profits which are lent on to more highly taxed subsidiaries elsewhere. But for Britain, free of such distortions, and still a temporary oil producer, a strategy aimed at a sustained current account surplus really could be counted an unambiguous suc-

Failure grounds Chinese space hopes

By Deniel Green in London

CHINA'S fledgling commercial space programme was grounded yesterday with the failure of its Long March 3 rocket to put an Australian communications satellite into orbit.

As a result, the worldwide satellite industry and its customers in telecommunications and broadcasting face delays and higher fees for launches and

Likely victims include Mr Ted Turner, owner of the CNN satellite television service, Hughes Aircraft of the US, the biggest satellite maker in the world, and Cable and Wireless, the UK telecommunications company which partly owned the Australian satellite. The countdown in Sichuan province, south-west China, progressed smoothly but the rocket did not take off when the motors

"In scientific pursuits, failure is unavoidable and frequent," said China's Great Wall Industrial Corporation, which oversees the marketing of satellite services to foreign customers.

Hughes Aircraft, which made the satellite, said: "With the ignition there was an indication that there may have been a problem, which they detected on their instruments. It went into emergency shutdown.

The commercial launch vehicle a modified intercontinental ballistic missile. The strap-on engine, which appeared on Chinese television to have caught fire, was one of two booster rockets on the original missile. The Australian embassy in Beijing aid the satellite should not have

been harmed. But launch schedules, planned years in advance, will have to be rewritten. Australia faces a particularly pressing problem since yesterday's satellite was intended to provide a replacement for one due to go out of service later this

CNN hopes to broadcast to the Middle East and Africa on a satellite scheduled for launch on Long March 3 next year. The failure will disrupt plans by Sweden and Malaysia for launches in China. Insurance brokers and underwriters will re-examine their satellite premiums. The Long March 3 launches already command a higher premium - about 18 per cent of the typical \$100m cost of a satellite - than their rivals.

There are only a handful of satellite launchers in the world. They include Ariane, in Europe, and General Dynamics in the US. In an effort to break into this lucrative market, China has been offering sharply lower prices than the \$70m-\$90m charged by

China has launched 31 satelinto space in 1964. It entered the international launch business in April 1990, sending the Asiasat telecommunications satellite into space for a Hong Kong-hased con-

Labour embarks on 'charm Tories enlist Thatcher's aid offensive' with UK business

Continued from Page 1

would secure an overall majority

of 20 seats on April 9. Mr Major's speech, which followed a scathing denunciation by his predecessor of Mr Kinnock's "socialism", signalled the start of a determined and abrasive campaign to win back the support of

the skilled working classes.

Amid Conservative recognition that many of the so-called C2 social group had been reassured about Labour's intentions by Mr John Smith's shadow Budget, Mr Major widened the attack on the

opposition's tax plans. Drawing on his party's calculation that Labour would have to increase public spending by £38bn a year if it were to meet the commitments in its election manifesto, Mr Major said taxpayers would face an increase of £1,250 a year in their tax bills.

The £1,250 figure, dismissed by Mr Kinnock as "sheer fantasy", will be at the centre of the Conservative approach for the remaining weeks of the election campaign.

By Ivo Dawney and Raiph Atkins

MR NEIL KINNOCK, leader of Britain's opposition Labour party, yesterday set out his agenda for the second week of election campaigning with a "charm offensive" targeted at industry and commerce.

At a meeting with pro-Labour business leaders in London, he said a Labour government would "enable" business but not interfere in it.

His business "brunch", hosted by Lord Hollick, managing director of MAI, the financial services group, portrayed Labour as having adopted the best practices of EC governments.

The central theme - that Labour is now "the party of industry" - will be further developed at today's launch of the party's manufacturing policy.

Party strategists added later that they would build on Labour's positive agenda, contrasting it with a Tory campaign which, they said, had become

increasingly negative. Opinion poil findings showing "inexorable movement" in Labour's favour had panicked the Tories into deploying Mrs Margaret Thatcher to rejuvenate a lacklustre campaign, they added.
Looking confident and relaxed,

Mr Kinnock argued yesterday that, of all the EC governments, Britain's was unique in believing "the function of the state was to withdraw from all responsibility" for business. By contrast, Labour believed

that government "does have a real role" in aiding the development of the economy and the manufacturing base. Asked by one businessman how nervous voters might be per-

suaded that Labour would not adopt more radical policies once elected, Mr Kinnock said such a move would be suicidal. Mr John Smith, the party's

chief finance spokesman, later made clear a Labour government would not set zero inflation as its target, but would be content with a rate equal to the EC average. Speaking on BBC television, Mr Smith said: "The important thing is to have inflation roughly at the same level as your competitor

He rebuffed any suggestion that Labour's policies on the min-imum wage or public spending would be inflationary or would lead to knock-on wage rises. Spending pledges, meanwhile, will have to take place within an overall Budget framework set by the government," he added.

Amid a barrage of Tory attacks, he also corrected earlier comments by Mr Roy Hattersley, Labour's deputy leader, that an increase in the 50 per cent top income tax rate proposed by Labour could not be ruled out. 'We will not increase the top rate." Mr Smith said.

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In 1935, you'd have to wear 5 stars to get this kind of welcome. These days, you can get it, too, even without the 5 stars.

You will be charmed by the remarkable staff selection for the MacArthur Club, for they combine the charm and dedication to service and comfort The Manila Hotel has been famous for throughout the world for almost 80 years. But, of course, the MacArthur Club service is not

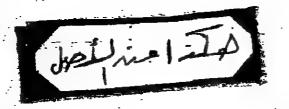
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FINANCIAL TIMES **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1992

Monday March 23 1992



INSIDE

Bleak picture for Minolta

for building products, drinks dispense, fluid power, special engineering.

IM! plc, Birmingham, England.

Minolta, the Japanese camera maker, hopes its scheduled payment today of \$127.5m to set-tle a US patent dispute will restore confidence within an innovative company now confronted by a bleak profits picture. The dispute with Honeywell, the US technology company, over autofocus technology capped a three-year period during which Minolta's profits evaporated, its sales stagnated, and a drive into the office equipment market brought only modest

Spring Ram bucks the trend



A CONTRACT OF THE PROPERTY OF

City of London analysts opportunity today to cross-examine Spring Ram, the UK kitchens and bathrooms group, on how it has beaten the recession. The results resentation, expected to include a near-25 per cent increase in pre-tax profit to around £37m (\$64m), is being attended by 18 directors

from the main board and subsidiaries including Mr Bill Rooney (above), chairman and joint

Liffe merger goes shead

The London International Financial Futures Exchange has resolved an argument with marketmakers which threatened to sabotage its merger with the London Traded Options Market. The merger went ahead as planned yesterday. Page 18

Colt faces its High Noon

It may have been good enough for Butfalo Bill and scores of other American platol is in danger of finally fading into history. The Connecticut-based Colt Manufacturing Company, founded in 1836 by Sam Colt, last week filed for protection from creditors under

institutional challenge

Chapter 11 of US bankrupcty law. Page 20

One of America's most influential institutional Investors has thrown down a gauntlet to 10 of the country's largest companies - including American Express, International Business Machines, and Time Warner — and threatened to vote against the re-election of their directors if they do not pay more attention to sharehold-

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It is believed partners from accountants Price Waterhouse will be be appointed by directors of Trinity Insurance and Bryanston Insurance, two companies

owned by GFA International, a holding company controlled by Mr John Winter, an accoun-Mr Grant Fowler, the Australian

The action comes as DTI officials consider a report from accountants Ernst & Young submitted by the directors on the regulatory implications of transactions since early 1990 totalling An official close to the investi-

tant and company doctor brought in by directors of the two companies in January this year following the departure of Mr Fowler as chief executive. Mr Winter declined to comment yesterday, but the report is believed to document short-term loans worth £10m since 1990 to Trinity and Bryanston by Cruden Invest-

ing to an analyst, it provoked "all

the classic problems of an Ameri-

can company arriving in

Europe". FedEx attempted to stamp a single identity on dispa-

rate European businesses, but

failed to appreciate the difficul-ties of blending local practices.

The European operations were largely ground-based, but FedEx

mostly used air transport. "They

couldn't combine successfully

and found a low level of synergy

existed," said Mr David Gutherie,

an analyst at Morgan Keegan, the

Memphis brokerage. Tiger, meanwhile, produced its

own problems. The workforce

was unionised while FedEx's was

not, and much of its customer

base comprised freight-forward-

ers - essentially competitors to FedEx. They were wary, and inte-

rojections for European

head of FedEx's worldwide cus-

tomer operations, estimated last

week that the intra-European

overnight market was 100,000

packets a day - a trickle com-

market growth were over-optimistic. Mr Tom Oliver,

them owned more than 43 per cent of News Corporation at the end of the last financial year. It also shows outstanding loans

of about 66m made in early 1990 by Trinity and Bryanston to Panfida, the Australia-based group which owned the Martin chain of newsagents and went into liquitotalling £30m to Martin. The report highlights a further

repaid. It says Mr Fowler is married to Penny Calvert-Jones, Mr Murdoch's niece

Trinity and Bryanston have become insolvent following large underwriting losses, a lack of investment income and high operating expenses. The directors of the two companies are seeking approval of creditors to propose a scheme of arrangement in the High Court under insolvency law. About 120 staff are expected to be made redundant.

EC seen as threat to City success

By Robert Peston in London

THE biggest threat to London's status as a leading financial centre comes from ill-conceived regulation, especially new EC direc-tives. That is the preliminary conclusion of the first study by the City itself into what determines its success as a financial

The City Research Project's interim report, prepared by the London Business School with funding from the Corporation of London, identifies three issues regulation, the structure of markets and government policies to encourage internationally oriented businesses - as central to London's future success.

The report, shows the remuneration of senior City executives is generally lower than on Wall Street or Tokyo. Senior fund managers, equity traders and foreign exchange dealers earn more in Tokyo and in New York than in London.

However, cash compensation packages are higher than Frankfurt and Paris. The report found that corporate finance executives, who advise companies on takeovers and fund-raising, earn more in London - almost £160,000 (\$276,800) a year on average - than elsewhere in the

The report aims to identify areas for further study. Mr Stanislas Yassukovich, former chairman of the Securities Associa-tion who initiated the research and is chairman of the project's governing board, said: "Regula-tion is probably the top issue."

He highlighted dangers to the City from European Directives aiming to impose common rules on European financial centres.

Merkets were so different, he said, that uniform rules might not be appropriate. He cited the example of recent attempts by the EC and regulators of securities firms to devise a common standard for the amount of capital each securities firm must maintain — their capital adequacy ratios - as a protection against financial shocks.

"In the London market, securi-Instruments and can use devices designed to share risk with partners", he said. As a result, London securities firms might be less exposed to risk than rivals in Frankfurt or Paris. So it might be unfair to impose the same capital requirements and associated costs on a London securities firm as on a Continental-based firm.

UK insurers may face liquidation

By Andrew Jack in London

PROVISIONAL liquidators are today expected to be appointed to two insurance companies under scrutiny by the Department of Trade and Industry for a series of financial transactions with companies connected to Mr Rupert

at least £20m (\$34.6m).

gation said yesterday these were not suitable or usual for an

ments and Kayarem, two compa-nies within the Murdoch family business empire which between

dation in January. News Corpora-tion held a 29.9 per cent stake in Panfida and also made loans

24m in loans to offshore compa-

Nikki Tait reports on the US courier's retreat to home base

FedEx wraps up its European dream

ak an American to send you a small package over-night, and the chances are he will suggest "FedEx-ing" it. Make the same request in Europe, and the sender might mutter anything from "DHL", through a nationalised rail ser-vice to a local courier.

This linguistic difference says much about the retreat from intra-European business last week by America's largest express delivery company, Mem-phis-based Federal Express has inveigled its way into US business life to where it is part of the language. In Europe, it has conspicuously failed.

This has not been for want of money, affort or incentive. Faced with a maturing domestic market, Federal Express has poured about \$2.5bn into international expansion since the mid-1980s, much of it in Europe. Yet its international operating losses have spiralled from \$43m in 1988-89, to \$391m in 1990-91. During the quarter to end-February 1992 they reached \$125m.

This demanded action, and rumours that FedEx would shandon intra-European deliveries, or subcontract such services, have been rife for months. But now the decision has been taken, three questions remain. Why did the strategy fail? Will this retreat

international operating losses

"Net loss infowed write-off on Zaphiell

Domestic operating profits

And where will retrenchment leave FedEx's longer-term strategy outside its home territory?

The company was born 20 years ago, when its founder, Mr Fred Smith, built up a fleet of purple-painted aircraft and vans, and created a reliable US overnight delivery market. Today, up to 3m overnight

packages are transported daily in the US, and Federal Express commands about half the business. However, within a decade of formation, FedEx was seeking new areas for expansion. It made one disastrous foray into the facsimile business, with ZapMail. When that was aborted in 1986, its attention shifted overseas.

Like much of its competition, Federal Express was attracted by Europe. The 1992 harmonisation measures were expected to ease customs and logistical problems while development of pan-European business organisations seemed likely to boost demand. FedEx bought its way into

Europe with relatively small deals – including the UK's Lex Wilkinson in 1986, and Little-woods' Home Delivery Service in 1989, But in 1988, it bequired Los Angeles-based Tigo tional, the world's cargo carrier, for \$880

19

457.1

184.5

5,167

sequired Los er Interna- largest air om. tegy appears	pared with the US. Competitors, notably Connecticut-based United Parcel Service, were determined to move in, while Brussels-based DHL and Australia's TNT provided estab-
	lished competition. "Current
	capacity could service 150 per
	cent of what is being projected
49 1988	for the year 2,000", said Mr Paul
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	6,600 jobs, involve subcontracting
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Ex's retrenchment will cost 6,600 jobs, involve subcontracting intra-European deliveries outside 16 major cities, and confine FedEx to a direct service between the US and these points. in theory, this should stem



some operating losses. But analysts are not optimistic -reflected in FedEx's share price which ended the week \$3 lower at

Federal Express's finance director, Mr Alan Graf, declined to say how much of last quarter's deficit could be attributed to intra-European business. FedEx warned it was "unable to predict with cerrestructuring will reverse the existing trend of increasing international losses", although it predicted recovery in 1993.

The company claims the 16-city service will mean it delivers about 45 per cent of its European packages itself - with all the 'quality control" advantages this implies. As the retrenchment was being announced. FedEx wrote to its US customers, explaining that the Express freighter service offering speedy intercontinental service — would expand to Paris and Milan. Mr Oliver also said that while FedEx was "not happy with revenues out of Asia", the market is different from Europe. and no radical overhaul is planned.

Yet, should demand for over-EDI OSTIASLA IU ETILODO BLOM I future, re-entering the market will not be easy. Clearly, the major remaining players - DHL, TNT, and UPS - will take every advantage of FedEx's retrench-

"It's a fine line," suggested Mr Schlesinger, "between a strategy they can't afford, and a strategy that's essential to the long-term well-being."

IF THE past two weeks have demonstrated anything, it is that general elections in Britain are a poor breeding ground for sensible tax reform. Mr Norman Lamont's budget offended the tax reform lobby with its proposal for a 20p tax band for the first £2,000 of taxable income. Mr John Smith's

shadow budget for the opposition Labour Party last week was a mixture of good and bad. The three classic aims of tax reformers are to promote: economic efficiency

 fairness and administrative practicality. Labour's plans for a sharp increase in higher tax rates also raise the separate issue of how far they might affect the UK's economic performance. But first to Mr Lamont's bud-

get. It was to be expected the 20p lower tax band would be badly received by enthusiastic reformers. The independent Institute for Fiscal Studies, in particular, has campaigned for higher allowances rather than a reduced rate band on the grounds that the least well off are helped far more by being taken out of tax than by reducing the tax they pay.

The lower tax band poses other problems. Low-income taxpayers who only pay the 20p tax rate but have savings in banks and building societies will have to claim back part of the 25 per cent basic rate of tax now deducted at source from their interest earnings. To cope with the change the Inland Revenue will have to hire an

extra 800 staff. Mr Smith plans to increase the personal allowance by 10 per cent instead of the statutory 4.5 per cent in Mr Lamont's budget. His shadow budget would take 740,000 people out of tax at a cost of £920m (\$1.6bn) against the £1.77bn cost of the government's lower tax band in 1992-93.

Among other good ideas in the Labour package, the proposed removal of the 2 per cent employees' national insurance contribution (NIC) on earnings

Delicate art of balancing tax reforms

aplit between

Mer-lax profile

under 254 a week would to be placed on top incomes remove one of the more crazy anomalies in the British tax and benefits system. At present, a person earning £54 a week pays no contribution, whereas someone earning £55 a week pays 2 per cent on his or her income, resulting in a marginal tax rate of 110 per cent.

But Mr Smith's plans to extend the 9 per cent employing more than £405 a week and introduce a top 50 per cent tax

Another curious effect of Mr Smith's plans, given Labour's history as the workers' party. would be that unearned income will be treated more favourably than earned income if Labour wins the election.

FEDERAL EXPRESS

1961

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7,015.1

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194.5 608.1

115.8

Mr Smith dropped his original plan to extend the 9 per cent employee's NICs to inter-est and dividend income above £3,000 after a wave of protest from people who had recently been made redundant. Under

Economics Notebook

By Peter Norman

band would almost certainly give new life to the tax avoidance industry, especially as Labour has no plans as yet to alter capital gains tax.

Labour's plans to remove the upper-earnings limit for employees' NICs can be expected to boost payments in kind rather than cash, even though the shadow budget promises to extend employers' NICs to

such perks.
So long as Labour has no plans to add new capital gains tax rates to the present 25 per cent and 40 per cent rates and a party official confirmed that this was the case last Friday - pressure would grow among middle managers to take income in the form of share options. Any capital gains from these would attract top tax rates of 40 per cent against the top 59 per cent levy

marginal tax rate of 50 per cent on his unearned income while would lose 59 per cent in income tax and NICs from every pound earned above a taxable income of £36,375.

neutrality, which has become the generally accepted goal of not distort the workings of market forces or discriminate against specific groups.
But would Labour's plans do

Labour, the Duke of Westminster would therefore pay a not-so-affluent manager

Such developments would fly against the principle of tax finance ministries in the big industrial countries over the past decade. Neutrality has as its objective a system that does

more, and actually damage the

UK economy? The Conserva-

tive Party says yes. It claims that by sharply increasing the

effective top rate of tax from 40

per cent to 59 per cent at rela-tively low income levels, Labour would reduce incentives. The Tory manifesto reflects this view, declaring: "Lower taxes have encouraged more people to work harder -not to spend their time work-ing out how to avoid penal

This is an issue over which economists cannot agree. While supply-siders support the Conservative view, others argue that changes in tax rates can have little effect on how hard most people work because employees have little direct influence over their levels of output or their hours at work.

There is more evidence that marginal tax rates have incentive or disincentive effects on so-called "secondary workers", who are frequently married women doing part-time jobs. In so far as Mr Smith's Budget would hit the net income of heads of households, it might encourage their hitherto unemployed partners to seek work. On the other hand, there are likely to be some highly paid secondary workers - notably in the South East of England for whom Labour's plans would act as a disincentive.

The fact that Labour's planned 59 per cent top tax rate would bite at a relatively low income level makes any forecast of its effects difficult. The UK had a top rate of 60

per cent as recently as 1988. But when parliament approved that rate - in Mr Nigel Lawson's 1987 budget - it applied to taxable incomes worth more than £56,000 in today's money against £36,375 in Mr Smith's By the standards of other

industrialised democracies, Mr Smith's draft budget proposes tax increases of unusual severity for a significant minority of people. It is open to doubt whether such a radical tax change would be possible under forms of democracy other than Britain's first-pastthe post, winner-take-all elec-

Pakistan rethinks bearer bond sale

By Farhan Bokhari In Islamabad and Alum Friedman in New York

THE State Bank of Pakistan the country's central bank, has cancelled plans to sell bearer bonds in the US, and is deferring their sale in other countries after fears that the bonds could be used to launder

The bank's advertisements for the foreign currency bearer certificates, which appeared last week, said bondholders would not have to pay income tax or wealth tax. The advertisements also said: "No questions asked about source of funds" and "No identity to be

disclosed*. These ads prompted Senator John Kerry of Massachussetts to write to Mr Alan Greenspan, chairman of the Federal Reserve Board, and Mr Richard Breeden, head of the Securities and Exchange Commission, asking that the sale of the bonds be stopped because they could be used to launder money. An aide to Senator Kerry said the SEC was considering moves to prevent the sale of the bonds in the US. It was also learned that Fed inspectors are examining records at US branch offices of

the National Bank of Pakistan. A source at the Pakistan State Bank said yesterday the bonds, due to go on sale today had been withdrawn from the US. The sale elsewhere had been deferred to ensure compliance with local laws.

The bonds, denominated in US dollars, D-Marks, sterling and Yen, went on sale in Pakistan on March 15.

Baring Securities

With effect from Monday 23rd March,

the London office of Baring Securities Limited

has moved to:

1 America Square

London EC3N 2LT

071-522 6000

Tel: 071-621 1500

Fax: 071-702 0008





Member of The Landon Stock Exchange Member of The Securities and Futures Authority

Liffe and marketmakers resolve argument

By Tracy Corrigan

THE LONDON International Financial Futures Exchange has resolved an argument with marketmakers which threatened to sabotage its merger with the London Traded Options Market, allowing the merger to proceed as planned

Mr David Burton, Liffe's chairman, flew back on Friday from the Futures Industry Association's annual meeting in Boca Raton, Florida, where he was due to speak, in order to help patch up differences with the six firms which had

HEN Laporte unveils its preliming

British specialty chemicals

ernun also plans to announce

details of the proposal to

deconstruct Interox, its £500m

joint venture with Solvay, Bel-

gium's largest chemicals com-

The decision to dissolve one

of the chemical industry's old-

est joint ventures — it has lasted 31 years — follows a divergence of interests

While Laporte has concentrated since the early 1980s on

high-value low volume prod-

ucts. Solvay has stayed in the

capital intensive bulk chemi-

Under the terms of the deal

presently being negotiated, Sol-

vay will acquire Interox's bulk

hydrogen peroxide and persalts

businesses which have a turn-over of about \$200m.

Laporte will acquire the sub-

sidiary's organic peroxides and

persulphates operations which

In addition, two-thirds of Sol-

vay's 25 per cent stake in

Laporte will be cancelled -

equivalent to 16.7 per cent of

the group - while the other

third - representing about 8.8

Laporte says both hydrogen

and paper and pulp industries,

per cent - will be placed on

have sales of about £65m.

between the two groups.

cals arena.

the market.

results tomorrow the

agreed to make markets in individual stock options under the new exchange

Throughout its four-year history, the merger has been dogged by disagreements over the best way to resurrect the UK market in individual stock options, which languished under the control of the stock exchange

The firms had threatened not to sign up as marketmakers unless Liffe agreed to appoint a managing director to oversee the development of the stock options market under the new Without marketmakers the

and persalts, used mainly in

detergents, do not fit into its

The main problem is they

are highly capital intensive. Interox's debt over the last five

years has risen from £25m to

more than £100m, with most of

the increase being used to fund

capital programmes in these

Prices for hydrogen peroxide

have also been falling as the

area attracts more competition.

Solvay is well placed within

the sector because its caustic

soda operations provide hydro-

gen as a by-product, offering

an aimost free resource for per-

It argues that the Belgian

group's integrated operations

will put it in a strong position

In contrast, the two busi-

nesses Laporte is acquiring -

organic peroxides, used as cat-

alvsts to manufacture poly-

mers, and persulphates,

required for the production of

acrylic fibres - are not capital

hat they do require is the sort of sophisticated rechester.

cesses in which Laporte speci-

alises. Laporte says these

businesses fit into its strategy

of investing in areas with high

margins, strong cash-flow and

Between 1980 and 1990, the

a high technical content.

to cope with a downward pres-

oxide manufacture.

sure on prices.

The British company says

Laporte to unveil further

strategy.

two areas.

details of split with Solvay

merger would have been effectively sabotaged.

The Liffe board decided to resist strong pressure from the marketmakers, even at the cost of the merger, on the grounds that the merger itself would be meaningless if the futures and options markets were run sepa-

At the eleventh hour, the marketmakers backed down in return for assurances on the running of the market. A detailed business plan for the equity options market will be completed in May. "A compromise was cobbled together,

proportion of Laporte's profits provided by specialty chemi-

After Akzo, the Dutch com-

pany, Interox is the second

largest European producer of

organic peroxides with sales of

about 5 per cent, is worth about \$750m (£434m).

interox is also the largest

European supplier of persul-

phates, with sales of about

220m. Demand for the chemi-

cals is increasing at about 7

per cent year, with a market

Laporte says the deal will

not dilute earnings during the

first year and should signifi-

cantly enhance them afterwards. Last year Laporte

earned a dividend of £18.7m

However, this should be off-

set by tax gains, a lower divi-

dend bill because of the

smaller equity base, and a

reduced investment pro-

gramme without the capital-in-

tensive bulk hydrogen perox-

The group also expects to

make savings by closing Inter-

ox's manufacturing sites in

Australia and Brazil, and con-

centrating its efforts in Munich

and Teesside, where it is

investing £15m over the next

aporte estimates the

world market, which is

srowing annually at

about £45m a year.

valued at \$120m.

from Interox.

ide operations.

two years

two-thirds.

Speaking after Friday's board meeting. Mr Michael Jenkins, chief executive of Liffe, described the merger as "a genuinely difficult task. We have all been struggling to find a way forward."

The merger was postponed in January because an insufficient number of firms came forward to make markets in the 67 equity options traded on LTOM. While hopes are running high for the FT-SE index option contract, there seems little sign that the merger will provide any immediate boost for individual stock

stock options markets. Volume in French and German stock options represents around 20 per cent of the volume traded in the cash market, while UK stock option volume totals a mere four per cent of the UK

stock market. But Mr Jenkins thought that changes to the structure of the market would help to boost trading. "I believe that the new market making arrangements. coupled with changes in stock borrowing and taxation relief. offer the potential for a competitive and liquid market," he

Brent Walker rescue moves a step nearer

THE \$1.65bn refinancing marathon at Brent Walker appears to be finally drawing to a close with lawyers working over the weekend to incorporate the final changes to documentation as requested by the leisure group's bank-

Mr John Leach, Brent Walker's finance director, said the group expected official agree-ment from the banks on the refinancing by next Tuesday, when bond holder and shareholder resolutions on the plan

However, Mr Leach sounded a note of caution - well aware that the Brent Walker negotiations, which began in November 1990, have been some of the longest and most tortuous in UK corporate history. "I will believe it is done when it is

If there is a last-minute hitch, the group will have to call another extraordinary meeting for shareholder

aims to convert £250m of secured bank debt into ordinary and preference shares. Such a move could throw the refinancing into doubt and push Brent Walker into receiv-

There are four major agree ments which need final approval from Brent Walker's 50-odd banks. A final draft had been sent to hankers last week and was returned with nothing more than adjustments to the documentation, said Mr Leach. The final documentation was expected to have been sent to the banks today.

Bankers to William Hill, the bookmaking chain bought from Grand Metropolitan for 2679m in 1980, are also expected to give their official approval to the refinancing.

The dispute with GrandMet over payments on William Hill had been sidelined, said Mr Leach, "There has been no progress on GrandMet. We have agreed to let negotiations

FT-SE Eurotrack 100 Index

The FT-SE Eurotrack steering committee has agreed to make the following changes to the FT-SE Eurotrack 100 Index constituent list with effect from Wednesday, April 1:

Additions: Alleanza (Italy); Union Electrica Fenosa (Spain); Pirelli SpA (Italy).

Deletions: Commerzbank (Germany); Swiss Bank participation certificates (Switzer-

land: Viag (Germany).

The indicative reserve list now comprises: Thyssen (Germany); Elsevier (Netherlands); Michelin B (France); Nestlé participation certificates (Swit-

Olympia & York fails in bid to secure \$220m Japanese loan

By Alan Friedman and Eric Reguly in New York

OLYMPIA & YORK, the Canadian property group con-trolled by the Reichmann fam-ily, failed at the end of last year to raise \$220m (£127m) of long term funds from Japanese investors, it emerged yester-

Morgan Stanley, the US investment bank, was retained by O&Y to secure the finance from the Japanese. O&Y pelieves that if Morgan had succeeded, it would have avoided some of the adverse publicity it has recently received about its financial Mr Peter Rosenthal, a

spokesman for O&Y, said: "Morgan Stanley only told us they had falled to raise the funds at the very last minute in December. And while that was not what triggered

it was clearly a contributing

O&Y is shortly to meet its bankers to discuss a possible reorganisation of its huge borrowings.

Morgan said yesterday that it informed the Reichmanns in December that the funds, which it had been retained to raise, would not be forthcoming because of a lack of investor interest. At around the same time,

Morgan was exercising an option it had to sell to O&Y a building, 25 Cabot Square, that Morgan Stanley developed and owned at O&Y's Canary Wharf project. Morgan Stanley later brought a legal action against O&Y to force it to pay the \$240m sale price of the build-

O&Y said yesterday that Morgan Stanley's fundraising effort was "designed to

adverse publicity about O&Y, raise finance for the sale" by Morgan to O&Y.

But Morgan Stanley denies the link between the building's sale to O&Y and the Japanese fund-raising effort.

Bic

While it is true we were retained by O&Y to raise the funds from Japanese and other investors, the sale [of the building) was not contingent on Morgan Stanley arranging the financing for O&Y," a Morgan Stanley spokeswoman said.

Morgan Stanley has brought a UK legal claim against O&Y to seek the \$340m payment. A UK court ruled in Morgan Stanley's favour earlier this month, but the decision was stayed pending an appeal. O&Y said yesterday that it

payment to Morgan Stanley on or before June 30, 1992." Eric Reguly is New York cor respondent of The Financial

expected to make the \$240m

New London to buy rest of US subsidiary

New London, the energy services group, has made a £2.3m (\$4m) offer to acquire the rest of New London Inc. its US-based oil and gas production and oilfield services subsidiary.

The company will buy the remaining 29 per cent stake in New London, as well as its 8.5 per cent convertible preferred

As part of the deal, New London will issue 6.5m shares to Mercury Asset Management in return for that company's 11 per cent share in the US unit. The stock offer will result in Mercury owning a six per cent stake in New

In return for the 8.5 per cent convertible preferred stock, New London will invue holders with \$3.8m convertible loan notes maturing in 2000.

Mr Paul Resterton, New London chairman, said the deal will "simplify the group's structure and give us greater flexibility for profitable

Guinness to invest £53m at Park Royal brewery

By Peggy Hollinger

GUINNESS, the UK-based international drinks group, is planning to invest £53m in rebuilding its main UK brewery at Park Royal in West Lon-The investment will be

phased over four years, with the bulk of expenditure in the first two to three years. Mr Bill Spears, Guinness's director of public affairs, said the group lanned to used existing banking facilities to fund the invest-

Guinness's debt will rise only marginally as a result. The group reported borrowings of £1bn in its annual results on Thursday, with gearing at just over 50 per cent: Pre-tax profits rose by 13 per cent to £956m for the year to December 31,

The investment programme which is due to begin in the next few months, will mean only a fractional increase in the brewery's capacity of 3m hectolitres - or 500m pints - a year, said Mr Spears.

The main benefit would be in

reducing costs through improving efficiency and quality con-trol. "There is every reason to believe that there will be a significant reduction in costs per

hectolitre," he said. The programme will also mean the eventual loss of some of the 1,300 jobs at the 60-yearold brewery, although Mr Spears said it was too early to quantify the number of redun-

dencies Employee representatives endorsed the plan two weeks ago. "They appreciate there will be job losses," Mr Spears said, "but also that the plan will secure in the much longer term the jobs which

Guinness plans to use the investment programme as a opportunity to increase efficiency and improve working practices, he said.

The brewery, which is situated on a 80-acre site and produces Guinness stout. Harp lager and Kaliber, the low alcohol beer, would become the "most technologically advanced in the UK" as a result of the investment, Mr Spears said.

This announcement appears as a matter of record only

POLYFINANCE UK LIMITED

a wholly-owned subsidiary of POLYFINANCE S.A.

POLYMARK INTERNATIONAL P.L.C.

The acquisition was initiated and the financing structured by SOCIETE GENERALE MERCHANT BANK PLC

who acted as Financial Advisers to Polyfinance S.A.

Mezzanine finance provided by:

EUROMEZZANINE BANEXI

Senior debt provided by:

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FINANCIAL TIMES

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Notice of Annual General Meeting of Shareholders

B∞B

LIQUIBAER

Julius Baer U.S. Dollar Fund Limited

NOTICE IS HEREBY GIVEN of the Annual General Meeting to be firld at Julius Bear Bank and Trust Company Ltd., Busierfield House, Grand Cayran, Cayran Islands, on the 14th day of April, 1992 at 11 a.m. 1 To receive and consider and, if thought fit, adopt the accounts presented by the Directors for the year ended 31st December, 1991 and the reports of the Directors and Auditors.

3 To re-elect Mr. Mark A. McCluskey and Mr. Clifford F. Smath to the Board of Directors. 4 To appoint Auditors and authorize the Directors to fix the Auditors' remaineration.

By order of the Board Leguibaer, Julius Baer U.S. Dollar Fund Lemand P.O. Box 1100, Grand Cayman, Cayman Islands. A shareholder holding registered shares is Cribiled to Stiend, vote and appoint one or more proxies to atlend and vote instead of him. A proxy need not be a shareholder of the com-

A shareholder holding bearer shares is entitled to attend and vote, Exercise of these rights at

There are no service contracts in existence between the Company and say of its Directors, and none are proposed.

relary and Registers Johns Beer Bank and Trust Company Laf.

Bank Julius Baet & Co. Ltd. Bevis Marks House. Bevis Marks London EC3A 7NE, United Kingdom

Société Banculre Julius Baer SA Genévi 2. boulevard du Thélitre, P.O. Bax

respect of begins stated will be recognized only on prisonaugu at the Meeting of the bearer continuate or stustimenty evidence of the hold-ing. Such evidence may be obtained by de-positing the certificate with one of the Agents isted below against written recorpt, which must be produced at the Meeting.

Cupies of the Annual Report Including. Audited Accounts are available for inspection and may be obtained at the registered office of the Company and from the Agenta Issued below. Participating chares are listed on the London Stock Exchange and particulars of the Com-puny are available in the Extel Statistical Ser-

lann Julies Bierr J. Co. Lid. Ústrasoc 36, P.O. Boz, 8010 Zarleb

Fired Austrian Bank en 21, P.O. Bet 162, 1811 We

BRUSSELS

The FT proposes to publish this survey on April 23 1992,

Of over 94.000 senior European executives who are personally involved in strategic decisions about international operations about their companies. 26% read the FT - more than any other European business publication. If you want to reach this important audience by advertising in this survey call

Meyrick Simmonds or Martine Boogaerts in Brussels Tel: 322 513 2816 Fax 322 511 0472 or Lindsay Sheppard in London Tel: 071 873 3225 Fax: 071 873 3079.

Data source: The European Business Readership Survey 1991.

FT SURVEYS

SMART FIVE LIMITED

¥6,500,000,000 5//4 per cent. Secured Notes Due 1992 (the "Fixed Rate Notes") ¥2,500,000,000 Step-up Coupon Secured Notes Due 1992 (the "Step-up Notes")

¥1,000,000,000 Floating Rate Secured Notes Due 1992 (the "Floating Rate Notes")

Secured by a Charge on a Portfolio of Fixed Rate Bonds with an aggregate principal amount of U.S.588,050,000

In accordance with the Description of the Floating Rate Notes. notice is hereby given that the rate of interest for the period 23rd March, 1992 to 22nd September, 1992 has been fixed at 5 per cent. per annum and that the Coupon amount payable on 22nd September, 1992 will be ¥2,541,667 per note of ¥100,000,000.



The Sumitomo Bank, Limited (Agent Bank)

U.S. \$100,000,000 BBL (Cayman) Limited (Incorporated as a limited liability company in the Caymon Islands)
Guaranteed Floating Rate Notes Due 2000 Unconditionally guaranteed by



Bangkok Bank Limited Incorporated with finund landary in the Kingdom of Thailand;
Nofice is hereby given that the interest poyoble on the relevant Interest Poyment Date.
April 21, 1992 for the period October 17, 1991 to April 21, 1992 against Coupor
No. 14 in respect of US\$10,000 nominal of the Notes will be US\$274.37. nch 23, 1992, Landan Cabank, N.A. (CSSI Dept.), Agent Bank

FLASH LIMITED SERIES E U.S. \$30,000,000 Secured Floating Rate Notes
Due 1992 In accordance with the conditions of the notes, notice is hereby given that for the six mooth period 23rd March 1992 to 21st September 1992 (182 days) the notes will carry an interest rate of 4.785% p.a. Relevant interest payments will be

Notes of U.S. \$100,000 U.S. \$2,419.01 per co THE SANWA BANK LIMITED Ageut Bank

U.S. \$150,000,000 Republic New York Corporation Floating Rate Subordinates Capital Notes due 2009 Notice is hereby given that in respect of the Interest Period from March 23, 1992 to June 23, 1992 the Notes will carry an Interest Rate of 51% per annum. The coupon amount payable on June 23, 1982 will be U.S. \$134.17 per U.S. \$10,000 Note.

CITIBANCO

Sy: The Chase Manhaitan Bank, N.A. Loedon, Agent Benk March 23, 1992

RIGGS NATIONAL CORPORATION US \$60,000,000 FLOATING RATE SUBORDINATED NOTES DUE 1996 In accordance with the provisions of the Notes, notice is hereby given that for the period 20 March 1992 to 22 June 1992 the Notes will carry a rate of interest

of 55% per anoman with a coupon amount of US\$ 19708.

RIGGS NATIONAL CORPORATION US \$100,000,000
FLOATING RATE SUBORDINATED NOTES DUE 1996 in accordance with the provisions of the Notes, notice is hereby given that for the period 20 March 1992 to 22 June 1992 the Notes will carry a rate of interest of 52 per amount with a coupon amount of US\$ 137.08.

CHEMICAL BANK as Agent Bank

COMPANIES AND FINANCE

Breeding success from a budding generation

Jane Fuller takes a look at Spring Ram's winning formula for beating the recession

TTY analysts will today have plenty of opportunity to cross examine Spring Ram Corporation, the kitchens and bathrooms group, on how it has beaten the reces-

n bid

The results presentation, which is expected to include a near-25 per cent increase in pre-tax profit, is being attended by 18 directors from the main board and subsidiaries. Estimates of the pre-tax figure hover around £37m to £38m. compared with £30.1m in

What the crowd coming down from Yorkshire should try to explain is how a company that was a baby in the last recession has tackled this one like a veteran, while continuing to grow like a strip-

Mr Bill Rooney, Spring Ram's chairman and joint founder, tends to talk about enthusiastic people, or even magic beans, suggesting that many of the reasons are intan-

However, some more down-to-earth strands can be traced and they weave themselves into a pattern of growth that has so far proved repeat-

Cash has been one of the keys. Spring Ram got over a bulge in capital spending in



Bill Rooney, the chairman and joint founder: enthusiastic people and magic beans

the late 1980s and in 1989 and 1990 spent only £3m a year. Cash held grew to £31.3m by the end of 1990 and interest contributed £2.2m to annual

Last year, even though capital spending was stepped up to nearer £15m, the cash pile con-tinued to grow. In the autumn it was on course for a near 50 per cent expansion to roughly £45m. This contrasts with the debt-laden state of its two main rivals in kitchens, Magnet and

Interest will again have been a profit centre in 1991, with resources husbanded in the tightest of ways. The Ram collects promptly but takes its time to pay, for instance. . The more creative part of the equation has been the taking up of the factory capacity by a growing number of operating companies, created by a pro-cess similar to biological bud-

ding.

New subsidiaries have rolled out the range of products into different niches of the kitchens and bathrooms markets. Last year, the generation of young-sters coming into profit included Chippendale Kitchens, taking the group into a more up-market area. Similarly the channels of dis-

tribution have multiplied. Inde-

pendent retailers, won over by Spring Ram's marketing sup-port, provided the original skeleton. It has been fleshed out by the DIY superstores and builders' merchants supplied on the bathroom side. for instance, by another young company called Stream-

The process is set to continue with companies spun off to supply ceramic tiles increasing the product range in a conventional Ram area and doors, where a small acquisition followed by factory building is pushing the group into new parts of the

The scale of the group's ambitions can be measured by the £60m that it plans to spend on factories over the next two

Such heavy investment sounds like a risk and the case for saying it will pay off is based simply on history. In spite of the switch to cash absorption and the continued recession, analysts are forecasting a further profit rise this year - albeit at a slower

This bullishness is reflected in the share price, which has shot up from 63p at the beginning of last year to 164p earlier this month. Friday's close of 155p is more than 20 times estimated 1991 earnings.

There has been some profit realisation along the way, notably by directors last sum-

One of them, Mr Francis Galvin, has left and seems set to use the money to build a rival kitchens business. Perhaps a ase of the budding going too

How the group will maintain its entrepreneurial spirit in-house as it gets bigger - its market value is about £560m already - is just part of the inevitable question that will be asked after today's meeting: "When will it run out of

Director resigns at NHL

By David Barchard

BOARDROOM dispute at National Home Loans, the troubled mortgage and consumer finance group, has led to the resignation of Mr Ken Lewis, the group's operations director.

Mr Lewis, who had been with NHL since it was established in 1986, was in charge of marketing, product develop-ment and services at the group. He is understood to have found it difficult to work with Mr Jonathan Perry, a former director of Morgan Grenfell, who took over as chairman and chief executive a month ago.

A three line statement from NHL on Friday night said that Mr Lewis had resigned to pur-sue other interests. His departure brings the number of executive directors on NHL's seven-member board down to been appointed at this stage.

NHL, once a leading UK mortgage lender, incurred losses of £47.9m last year. It has been in the doldrums since July when its banking subsidiary had to be rescued by a £200m cash lifeboat from the high street clearers led by the Bank of England.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Thailand International Fund Limited will be held on 16th April, 1992 at the office of Fidelity International Limited. Pembroke Hall, Pembroke, Hamilton HM CX.

3 To elect Mr. B. Jahristone and Mr Ebsworth and re-elect Mr. C.T.M. Collis, Mr.A.M. McKenzie, Mr.U. Vichayabha., Mr.D. Amatyakul and Mrs. S. Voravudhi.

Statements of the Company for the year ended 31st December 1991.

To receive and approve the auditor's report.

4 To approve payment of director's less for the year ended 31st December

THE THAILAND INTERNATIONAL FUND International Depositary Receipts

issued by

Morgan Guaranty Trust Company of New York Notice of Annual General Meeting

ORDINARY RESOLUTIONS

To receive and approve the Report of the Directors and the Financial

To approve the declaration and payment of a dividenc of 20 cents per share to all holders of Participating shares

6 To permit all luture annual and extraordinary meetings to be hold in such ocation outside the United Kingdom as the directors may determine. To re-appoint Coopers & Lybrand as auditors of the Company and to authorise the Board to fix the remuneration of the auditors for the year to 31st December, 1992,

SPECIAL RESOLUTION.

8. That Article 74 of the Company's Articles of Association be deleted and

174 No business shall be transacted of any General Meeting unless : quorum is present. Two Mombers present either in person or by proxy, and holding at least one-twentieth in nominal amount of the shares for issued capital of the Company and carrying the right to vote shall be a quorum for a General Meeping. A representative of a corporation authorised pursuant to Article 98 hereof and present at any mooting of the Company, or at any meeting of any class of Members of the Company shall be deemed to be a Member for the purposes of counting towards a quorum.

That the shareholders ratify all previous decisions taken by the Company is General Meeping,

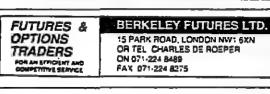
Votino arrancements for IDR's-holders

IDR's-holders who wish to vote must follow the procedure explained hereunder.

deliver the IDRs to the Depositary at the latest on 14 April, 1992 at the address given below attention. Securities Department-telephone 322.5088215 - telex 21752 MORBK 8), instruct the Depositary as to the manner in which votes should be cast, and indicate to whom the IDR's should be returned after the meeting, or - instruct EUROCLEAR or CEDEL to block the number of shares for which they want to vote and to vote in their behalf.

Copies of the Semi-Annual Report of the Company are available with the Depositary at the address indicated below.

> Depositary: Morgan Gueranty Trust Company of New York 35. Avenue des Arts. 1040 Érusselo







Laura Ashley in US alliance

By John Thornhill

LAURA ASHLEY, the international fabrics, fashions and furnishings group, has signed a 10-year contract with Federal Express entrusting its worldwide distribution arrangements to the US logistics company. The deal is estimated at

The business logistics arm of Federal Express will assume joint responsibility for Laura Ashley's supply chain, beloing to ensure the most efficient delivery of goods from the retailer's international network of suppliers to its 500 stores in 28 countries.

brewery Federal Express will also work on developing a global home delivery service by September 1993, enabling Laura to respond more quickly and

Ashley to deliver goods direct to shoppers within 24 to 48

This service will use Federal Express's courier services in the US and the rest of the world but will mainly rely on sub-contractors in Europe. Federal Express announced

last week that it was heavily restructuring its European parcels delivery operations with the loss of 7,000 jobs. Mr Jim Maxmin, Laura Ash-

ley chief executive, predicted the move would greatly improve the company's operat ing efficiencies and would at a minimum save £3m in planned systems development costs. Additional benefits would result from working capital

improvements and the ability

flexibly to customers' requirements especially on the home furnishings side, he said.

As a result of the business

alliance, Laura Ashley will abut three warehouses in the Netherlands, the US and Milton Keynes with the loss of 60 jobs. The company will take a £4.5m exceptional charge in its accounts for the year to January 1992 - booked as a post-balance sheet event.

Beta Global

Net asset value per ordinary share of Beta Global Emerging Markets Investment Trust stood at 101.8p (74.9p) at December 31. After-tax profit emerged at £664,000 (losses £426,000), equal to earnings of

	CROSS BORDE	H MAN DEALS	•	
BIDDER/INVESTOR .	TARGET	SECTOR	VALUE	COMMENT
Hongkong & Shanghai Banking Corp (Hong Kong)	Midland Bank (UK)	Banking	?	Setter late than never
Consortium (International)	Circle K (US)	Retail stores	£266m	Bankruptcy rescue plan
Cadbury Schweppes (UK)	Aguas Minerales (Mexico)	Soft drinks	m8812	Buying a market leader
Chilgener/Chilectra (Chile)	Central Nuevo (Argentina)	Electricity generation	£54m	Privatisation success
TNT (Australia)	Chronoservice (France)	Delivery nervices	£35m	FedEx continues retrenchment
Aegon (Holland)	Allamı Biztosito (Hungary)	Insurance	€29m	Strategic European expansion
Porter Chedburn (UK)	Lancet Label (US)	Labels	£14.9m	Phased payment
HRIsdown Holdings (UK)	Holco (Holland)	Food	£11.7m	Bolt-on buys mushroom
M/A Com (US)	Greenpar (UK)	Connectors	£7m	Peak non-core sale
ium internstional Belgium)	Cresia World Travel (UK)	Holiday tours	π⁄a	Cresta continuing indépendent

NOTICE OF REDEMPTION to the Holders of Hydro-Québec CAN\$ 100,000,000

121/4% Debentures, Series FX, due May 1, 1995

NOTICE IS EIEEESY GIVEN that in accordance with the provisions of the Fiscal Agency Agreement dated May 1, 1985 between Hydro-Québec ("The Issuer") and the Bank of Mourtest ("The Fiscal Agent") the Issuer has elected to redeem on May 1, 1992 (the "Redemption Date") all of the debenomes oursanding at a redemption price of 101% (the "Redemption Price") of the principal amount thereof together with accrued inserest (the "Accrued inserest") to the Redemption Date.

The Redemption Price on the Debentures shall be psyable on or after the Redemption Date upon presentation and surrender of the Debentures, together with all apparamant coupons maturing after the Redemption Date, at the offices of any one of the Paying Agents mentioned on the revenue of the Debenture. Debennies should be presented for payment together with all unmatured coupons, filling which the face value of any missing unmatured coupon will be deducted from the sum due for payment. Any amount so deducted will be paid against surrender of the missing coupon within

a period of 10 years from the Redemption Date. Coupons which shall have marined on or prior to the Redemption Date should be detached. ed and anciendered for payment in the usual manuer.

On and their the Redemption Date, Interest on the Debendures shall cease to accuse and all coupons matering after this date shall be void. Dated as of March 23, 1992.

Hachijuni Asia Limited

US\$ 25,000,000 Dual Basis Bonds due 2000

(i.e. US\$ 25,000,000) at their principal amount on April 23, 1992.

U.S.\$200,000,000

J.P. Morgan & Co. Incorporated

Floating Rate Subordinated Capital Notes

Due December 1997

Notice is hereby given that the Rate of Interest has been fixed at

5.25% and that the interest payable on the relevant Interest Payment Date June 23, 1992 against coupon No. 25 in respect of

U.S.\$10,000 nominal of the Notes will be U.S.\$134.17 and in respect

of U.S.\$250,000 nominal of the Notes will

Payment of interest due on April 23, 1992 and redemption of

Pursuant to anicle 5.3 of the Terms and Conditions of the

Bonds, notice is hereby given that the Issuer will redeem the total amount remaining outstanding of the Bonds.

Conditions of the Bonds.

Luxembourg, March 23, 1992

March 23, 1992, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

U.S.\$3,354.17.

Interest will cease to accrue on the Bonds as from April 23, 1992.

The Piscal Agent

Bankof Montreal London

The Fiscal Agent

Kredietbank Lummbourg

Fig. 1. Financial Group US\$100,000,000 Floating Rate Subordinated Capital Notes Due 1988 For the three monitor 23 Merch 1992 to 23 June 1992 the Notes will carry an invest rate of 4,5375 % per annum and coupon smount of US\$.11 60 per US\$1,000 note Lusted on the Luvembourg Stock Exchange. Agent: Morgan Gueranty Trust Company

Marine Midland

Bank N.A. Class A U.S. \$125,000,000 Floating Rate Subordinates Capital Notes due 1996

CITICORPO

U.S. \$250,000,000

Floating Rate Subordinated Capital Notes Due September 1996

Notice is hereby given that the Rate of Interest has been fixed at Date, June 23, 1992, against Coupon No. 31 in respect of US\$50,000 nominal of the Notes will be US\$670.83 and in respect of US\$10,000

By: Cribenk, N.A. (CSSI Dept.), Agent Bank CITIBANCO

THE STARS PROGRAMME

STARS 1 PLC 2475,000,000 Class A Floating Rate Montgage Backed Securities 2029

Notice is hereby given that the Principal outstanding on the subject issue for the interest period March 27, 1992 to June 29, 1992 will be £368,580,000.

The Principal amount oustanding for each note remains at £10,000.

nominal of the Notes will be US\$134.17.

March 23, 1992, London

For the three months 23rd March, 1992 to 23rd June, 1992 the Notes will carry an interest rate of 51/96 per armum with a coupon amount of U.S. \$134.17 per U.S. \$10,000 Note and per U.S. \$10,000 Note and U.S. \$670.83 per U.S. \$50,000 Note. The relevant interest payment date will be 23rd June, Latted on the London Stock Exchange

Bankers Trust
Company, London Agent Bar

March 23, 1992, London By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK** CIVAS INTERNATIONAL LIMITED SERIES CIVAS 17 U.S.\$80,000,000 Interest Rate 4.855% p.a. Interest Period March 23, 1992 to September 21, 1992 Interest Payable per US\$100,000 Note March 23, 1992, London By Cribeni, N.A., (CSSI Dept.), Agent Ban

> HIMC MORTBAGE NOTES 6 PLC £140,980,800 £7,000,000 Class B Mortgage Secked Floating Rate Notes due September 2030

Notes the september 2030
Notice is hereby given that for the Interest Period Irom March 19, 1992 to June 19, 1992 the Class A Notes and Class B Notes will carry interest rates of 11.0525% and 11.8125% respectively. The interest payment date, June 19, 1992 for the Class A Notes will be \$2,780.74 and for the Class B Notes with be \$2,989.25 per \$100,000 nomined amount. By: The Chase Manhatian Bank, N.A. London, Agent Bank March 25, 1992

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THE ISSUE, ON 25 MARCH 1992, BY TRANSNET LIMITED OF THE FOURTH

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PRIVATE INVESTMENT GROUP under the direction of Messrs. KLAUS GROENKE and AXEL GUTTMANN,

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TREUHANDANSTALT,

Total financing volume including working capital

DM 3,151.000.000,-

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NOTICE TO THE WARRANTHOLDERS OF

AOKI INTERNATIONAL CO., LTD.

U.S.\$200,000,000 4 PER CENT. BONDS due 1996 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK

Pursuant to Clause 4 (A) and (B) of the instrument dated 13th June, 1991 (the "instrument") relating to the above-captioned warrants (the "Warrants"), notice is hereby given as follows: In accordance with the resolutions of the Board of Directors of Aoki International Co., Ltd. (the "Company") adopted at the meeting held on 11th March, 1992, the Company will make a eleven-for-ten stock split of shares of its common stock (the "Shares") in the form of a free

distribution of Shares to its shareholders of record as of 31st March, 1992 in the ratio of 0.1 Consequently, the Subscription Price of the Warrants (as defined in the Instrument) will be adjusted pursuant to Clause 3 (i) of the instrument as set forth below:

> Subscription Price before adjustment: Yen 7.995 Effective date of adjustment:

1st April, 1992, Japan time

AOKI INTERNATIONAL CO., LTD.

56-6, Kuzugaya, Midori-ku, Yokohama-shi. Kanagawa, Japan By: THE FUJI BANK AND TRUST COMPANY

23rd March, 1992

as Disburgement Agent

US\$250,000,000 ML TRUST XVI erithed Morrgage Oldiga Floater Class A Bonds

In accordance with the provision of the Bonds, notice is hereby given that the Rate of Interest ha been friend at 4-4375% for the Twentieth Floater Interest Percod of 20th March, 1992 through to 19th March, 1992, Interest average for this Floater Interest Period is expected to amount to USS3 37 per USS1,000 Bond.

PRINCIPAL PAYING AGENT Texas Commerce Bank National A sociation or the office of its agent u Texas Commerce Trust Company of New York New York, New York 10004

PAYING AND TPANSFER AGENT Cincorp Investment Bank (Luxembourg) S.A 16 Avenue Mane-Therese 1.-2012 Luxembourg

Merrill Lynch Interna

7

To the Shareholders of SVENSKA BELECTION FUND You are hereby convened to attend

> ORDINARY GENERAL MEETING

gaing to be held on April 3rd, 1992 at 13.45 p.m. at the Head Office. 146, od de la Pétrusse L-2330 Luxembourg with the following

AGENDA Reports of the Board of Directors and the Auditors.

Report of the Independant Auditor about the financial squation of this corporation. Approval of the Balance Sheet and the Profit and Loss statement as at December 31st.

. Discharge to the Directors and N the statutory Auditor. Statutory elections.

Yours faithfully The Sound of Directors

To the Shareholders of SVENSKA HANDELEBANKEN BOND FUND

ORDINARY GENERAL MEETING oi Svenska Handelsbanken Bond Fund, which is going to be held on April 3rd, 1992 at 14,30 p.m. at the Head Office, 145, bd de la Péc L-2330 Luxembourg with the

AGENDA Reports of the Board of Directors

and the Auditors. Report of the Independent Auditor about the linandal situation of this corporation. Approval of the Balance Sheet and the Profit and Loss statement as at December 31st.

Discharge to the Directors and a the statutory Auditor. Statutory electrons.

Yours leathfully. The Board of Directors COMPANIES AND FINANCE

and for increased sales of office

equipment to push the camera

share down to a third of the

total - the figure last year was

44 per cent. It was hoped that

domestic sales could be lifted

from about 17 per cent of the

total to 33 per cent, though

they are now hovering around

market share in this country,

but our founder was a pioneer

and committed himself to sell-

ing in foreign markets. I don't

want to say that we ignored the domestic market, but we

concentrated on foreign mar-

kets," Mr Moro explained. The

strategy, he said, had left the

company exposed to foreign

it under-represented in the

sophisticated Japanese market.

those of the camera for which

"We used to have a high

25 per cent.

Minolta's tricky change of focus

Robert Thomson looks at a company facing a bleak profit picture

camera maker, muper that its scheduled today of \$1275m to settle a US patent dispute will restore confidence within an innovative company now confronted by a bleak profit The dispute with Honeywell.

the US technology company, over autofocus technology capped a three-year period during which Minolta's profits evaporated, its sales stagnated, and an ambitious drive into the office equipment market brought only modest results. With Minoita forecasting an YRhn (\$59m) loss for the year ending this month, its first loss for 25 years, the company

shares a volnerability with other Japanese companies which based business strategies on high quality but low profitability, and whose margins have shrunk with increasing competition and international recession.

Patents aside, the Minolta case also highlights the diffi-culties faced by Japanese manufacturers attempting a per-sonality change to reduce reliance on a traditional product line. These companies covered the initial expenses of transformation during the easy money era of the late 1980s, but now find themselves with excess capacity, high capital costs, and little experience in overcrowded markets.

Mr Ned Moro, Minoita's general manager, along with his fellow directors, has taken a 10 per cent pay cut to show that he is accepting responsibility for the troubles of a company still proud that its technology was aboard the first US manned space mission in 1962. "We wanted to make a direct

sacrifice to encourage our

employees and our sharehold-

Camera seles in Japan (m. unas) Mindita pre-tax profit / loss (45n) 90 1988 . 89 90 . 91

ers," Mr Moro said. "We are now reviewing many things. We are reviewing expenses, and we have decided to cut the company forecasts only Y220bn for the current year, capital spending. If there are projects we can delay, we may Capital spending is likely to

fall to Y10bn from Y13.5bn this year but the success of the company's overhaul is more likely to depend on the course of the Tokyo stock market than on cost cutting. Minolta plans to borrow the \$127.5m Honeywell payment from its banks, and will repay the money by cashing in unrealised gains on share holdings. Mr Moro said that the com-

peny would like to wait until the Tokyo market gathers strength, as its unrealised gains have fallen with the col-lapse of the Nikkei average. But the longer Minolta waits, the heavier the interest burden - at the end of last September those unrealised gains totalled Y58.6bn, down from Y61.8bn in

Minolta had recognised that a shift in product emphasis was needed and, three years ago, announced a plan to reduce the camera share of total sales, to sharply increase the office equipment share,

units and prices fell by as much as 30 per cent, as makers rapidly introduced new models and discounted older lines.

91 92 Forecast Year and March and to increase the proportion of domestic sales.

The three-year target was for annual sales of Y300bn, though brands," Mr Moro said.

The reliance on foreign sales and in particular, its high-profile in the US market prompted Minolte's quick settlement with Honeywell, though the speed of the deal surprised other Japanese camera equip-ment makers, about 15 of

exchange fluctuations and left

Mr Moro explained that winning market share for office automation equipment was more difficult than expected: "We have been trying to find our strength in the market. We had a good zoom plain paper copier, but now everybody has the zoom copier. We couldn't follow up the engineering with

In introducing new products and finding new clients, Min-olta is facing similar problems to foreign companies trying to

"One of the problems is that we can't really break through with major clients. The competitor's merchandise is already on the premises. It is difficult to convince any Japanese customer to change

whom now face litigation.

After a US court awarded Honeywell \$36.35m in damages last month, the Japanese company had three options accept the judgment, negotiate with Honeywell, or appeal. Mr Moro said the two companies began negotiations, and agreed on the \$127.5m figure, which includes licensing fees.

"We thought of appealing, but it would take a lot of time E ven domestic camera sales have turned soft in the past year, including and money. If we were not a manufacturer of high-publicity consumer goods, maybe we would think differently. We Minolta is best known, the sin-gle-lens reflex. The market condecided to lift this burden from our shoulders. Now we can tracted by 9 per cent to 761,000

Institutional investor in challenge to 10 groups

By Martin Dickson in New York

ONE OF the most influential institutional investors in the US has thrown down a gauntlet to 10 of the US's largest companies - including American Express, International Business Machines, and Time Warner - and threatened to vote against the re-election of their directors if they do not pay more attention to share-holders' interests.

The action represents a sig-nificant escalation of a campaign being waged by activist investors in the US for better corporate governance - making companies more responsive to the wishes of the share-

The threat comes from the California Public Employees Retirement System (Calpers), the leading US public pension fund, which complained that the 10 either paid their top managers too much, had too few outsiders on their boards. or failed to consider shareholders' interests when setting strategy. The result was poor

financial performance. Calpers has smerged as the most aggressively activist of the US's large institutional investors and in recent years has put down many reformist resolutions to be voted on at companies' annual meetings, which tend to be held between March and May in what is

known as the "proxy season". Last autumn, in a change of policy, Calpers said it would try to negotiate behind the scenes with a dozen unnamed companies where it wanted to see change, rather than engage in public confrontation during the proxy season.

Now, however, it has shifted its tactics again.

It said that two of the 12 companies - Ryder System and ITT Corporation - had made changes along the lines it proposed but the other 10 had yet to do so, while some Mr Dale Hanson, Calpers' chief executive, said that "if we are unable to reach agree-

vote "no" at the next election of directors". Many of replied that Calpers' criticisms were unfounded or being addressed. Calpers' aggression is deeply disliked by corporate

BBV plans to cut 3,000 jobs DFC beats debt deadline creditors over the last year.

BANCO Bilbao Vizcaya (BBV), Spain's second largest bank, plans to cut 3,000 jobs and close 300 branches, Reuter

reports from Frankfurt.
The bank had 2,771 branches in Spain and 157 offices abroad at the end of 1991. It employed some 28,800 people in Spain at the end of last year.

"To boost productivity some 3,000 jobs will go between 1992 and 1994 and in order to rationom. Disne EMOLK ME will close maybe 300 branches over the next three to four years," said Mr Alfredo Saenz, first vice-president.

He said expansion of credit demand this year would be in line with economic growth in Spain, which BBV predicts will be around 2.5 per cent. He said lower provisions for bad debt and future pension payouts would underpin BBV's

the group's 217 non-financial companies under new Bank of Spain accounting guidelines would give BBV's 1992 profits a 5 per cent boost.

share in Spain and an increase in productivity as BBV quickened the pace of cost savings would result in higher operating results in 1992, said Mr

DFC New Zealand, the investment bank that sent shock waves through the New Zealand sconomy when it col-lapsed in 1989, has largely repaid its tier-one debt, three years ahead of schedule,

Creditors with tier-one notes and loans are to be repaid in full three years earlier than expected, the final NZ\$235 on April 15, according to Mr Sandy Maier, DFC's statutory

Benter reports from Welling-

manager Sandy Maier.

A large part of DFC's debt, which was estimated at about NZ\$2.2bn at the time of its failure, is held by Japanese creditors. Mr Maier said the risk that DFC might default on any of its scheduled repayments had now been removed The government's participa-

tion in the DFC restructuring and repayment plan had swap transactions needed to hedge DFC's currency exposure relating to US dollar and The payment would bring yen obligations under its tierto about NZ\$1bn the amount. one debt. These swaps would DFC has paid to tier one now be sold or cancelled.

had even refused to meet it. ment with the remaining 10 companies we may be forced to

America and is controversial among institutional investors.

History sets its sights on the Colt hand gun

The pistol has become a victim of tough competition, writes Alan Friedman

t may have been good enough for Buffalo Bill and scores of other American pioneers but the Colt pistol is now in danger of finally fading

The Connecticut-based Colt Manufacturing Company, which was founded in 1836 by Sam Colf, last week filed for protection from creditors under Chapter 11 of US bankruptcy law.

And while the company received an emergency \$10m injection from its main creditors - the Connecticut Develop ment Authority and Austria's Creditanstalt banking group - that may not be enough to save the 925 jobs remaining at its Hartford beadquarters.

Colt's history is rich enough. The hand gun, it used to be said, "made all men equal." But Colt has lately become a victim of declining defence contracts and tough competition from companies such as the British-owned Smith & Wesson and Italy's Beretta group. At present Colt is believed to represent less than 7 per cent of the US market in

Gun control remains a political controversy in the US, with the Bush administration doing little to counter the pro-gun lobby. But Colt's weapons have proved less appealing to sportsmen, criminals and other arms aficianados than the cheaper and equally deadly "Saturday night specials" that have proliferated recently. In its bankruptcy filing Colt said it

failed to make sufficient progress in a financial restructuring that was agreed two years ago, when the company was saved with the help of Connecticut state pension funds. At the time a coalition of Colt workers, managers, private investors and the Connecticut state pension fund bought 47 per cent of the company, which had been crippled by a lengthy strike.

As Colt filed for protection from creditors, Mr Anthony Autorino, chairman and chief executive of Colt, resigned. He was succeeded by Mr Worth Loomis,

president of the Hartford, Connecticut Graduate Centre.

Colt plans to use the \$10m capital. injection to reorganise its finances and perhaps its products. With gun-fever in the US creating more demand for dangerous semi-automatic weapons, Colt's focus may shift away from its traditional revolvers.

A sign of the company's declining fortunes is that the police force in Hartford, Connecticut, does not even pack a Colt. The police in Colt's home town prefer the Smith & Wesson .45 semi-automatic pistol, made in Massachusetts by a company that was acquired five years ago by FH Tomkins of the UR.

Earnings at Mandarin Oriental fall by 17%

By Simon Davies in Hong Kong

MANDARIN Oriental, the Hong Kong-based luxury hotel arm of the Jardine Matheson group, has announced a 17.3 per cent drop in net profit for 1992 to \$37.4m, compared with \$45.2m in 1990.

This was the second consecutive earnings decline for Mandarin following a 10.3 per cent profits fall in 1990. Turnover in 1991 rose 3 per cent to \$127.2m. Mr Robert Riley, managing director, said there had been an improvement in the hotel market in the first two months of the year, with profitability at a similar level to 1990. The 1991 figures were in line with expectations, given the impact of the Gulf war, the increase in competition from huxury hotels on Hong Kong island and the riobal recessi The group's hotels in Hong

Kong and Bangkok were hit hard last year, but Manila, Jakarta and Macau succeeded in increasing profit contribution. The company announced a final dividend of 3.59 cents per share, making a full year payout of 5 cents, the same as

1992. The company also said it would apply for a primary listing in London, if the Hong Kong Stock Exchange goes ahead with changes to the sec-

ANZBank Australia and New Zealand

Banking Group Limited A.C.N. 005 357 522 lunited liability in the State of Victoria, Aus U.S. \$125,000,000

Floating Rate Notes due 1995 Notice is hereby given that for the Interest Period 19th March, 1992 to 21st September, 1992 the Notes will carry a Rate of Interest U.S. \$255.10 per U.S. \$10,000 Note and U.S. \$2,551.04 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 21st September, 1992.

Bankers London Company, London

Agent Bank

TO: Holders of Zero Coupus Convert-itie Subordinated Notes Due 1886 (the "Notes") of Cellular Commis-

As contemplated by the Offering Circular, deted January 17, 1992, with respect to the Notes, Cellular want respect to the votes, Centuary Communications, Inc., a Delaware corporation (the "Company"), has distributed (the "Distribution") promate to its stockholders of record as of February 27, 1992 (the "Record Data") and effective as of February 28, 1992 all of the normous where of 28, 1992 all of the common stock of Celular Communications of Puerlo Rico, Inc., a Delaware corporation

the Indenture, deted as of Jenuary 27, 1992, between the Company and Chemical Benk, a New York banking corporation, as trustee (the "indenture"), the Conversion Plate (as defined in the Indenture) has been adjusted, effective immediately after the Record Date, to reflect the Distribution. The calcula-tion of the adjustment was based on the trading price, as calculated in accordance with the indenture, of the common stock of CCPR for the ten consecutive Tading Days (az defined in the Indenture) immedidefined in the indentities introced attely following the Distribution (which burday period commenced February 28, 1992 and continued through March 12, 1992).

As result of the Distribution, the

NOSES BY CONVENTION OF A POSSES option into Series A Redeemable Common Stock, per value \$.01 per share, of the Company at a Conver-sion Rate, effective as of February 28, 1992, of 14.5 shares per \$1,000 Principal Amount at Stated Maturity

CELLULAR COMPARISCATIONS, INC. 150 East Sith Street New York, New York 10195 (212) 505-8449

NOTICE TO THE WARRANTHOLDERS OF EACH OF

Sumitomo Cement Co., Ltd. U.S.\$100,000,000 32/s per cent. Guaranteed Bonds 1992 with Warrants to subscribe for shares of common stock of Sumitomo Cament Co., Ltd. (the "Warrants A")

Sumitomo Cement Co., Ltd. U.S.\$150,000,000 5 per cent. Bonds 1994 with Warrants to subscribe for shares of common stock of Sumitomo Cement Co., Ltd. (the "Warrants B")

Pursuant to Clause 3 (xiiii) of the Instrument dated 21st July, 1988 (the "Instrument A") relating to the Warrants A and Clause 3 (xiv) of the instrument dated 30th August, 1990 (the "Instrument 8") relating to the Warrents 8, notice is hereby given as follows:

in accordance with the resolutions of the Board of Directors of Sumitomo Cement Co., Ltd. (the "Company") adopted at the meetings held on 18th February and 25th February, 1992, the Company issued U.S.\$150,000,000 3 per cent. Bonds 1996 with Warrants to subscribe for shares of common stock of the Company on 5th March, 1992 at the initial subscription price of ¥533 per

As a result of such issue, the Subscription Prices (as defined in the respective instruments) of the Warrants A and the Warrants B, respectively, will be adjusted, effective as from 6th March, 1992 (Japan time), as set forth below pursuant to Clause 3 (vii) of the Instrument A and Clause 3 (vii) of the Instrument B.

1. Warrants A Subscription Price before adjustment: Subscription Price after adjustment: Warrants B

Subscription Price before adjustment Subscription Price after adjustment:

Yen 559.50 Sumitomo Cement Co., Ltd. By: The Sumitorno Bank, Limited as Principal Paying Agent 23rd March, 1992

Yen 676.80

Yen 671,80

Yen 564 00

INTERNATIONAL CAPITAL MARKETS

Chicago trading of German bond futures poised to go ahead

By Barbara Durr in Boca

THE Chicago Board of Trade, the world's largest futures market, and the Deutsche Terminborse, the largest options exchange in Europe, have signed a memorandum of understanding which should clear the way for German government bond futures

trading in Chicago. The bund is currently traded at the DTB, which also trades futures, and the London International Financial Futures

Under the agreement, the two exchanges said they would examine the possibility of creating reciprocal offset and clearing systems for the bund future. Design and modification of the contract's terms. trading hours, price information sharing and marketing are also to be agreed upon. German banks, which have

aiready shifted most of their bund trading from Liffe to DTB, support a Chicago link for the bund. German bank officials said bund trading at

the CBOT would offer arbitrage opportunities and, because of time differences. extend the hours during which they could trade. The CBOT, home of the 30-

year US Treasury bond future, the world's most active futures contract, has for some time pursued listing international bond contracts. Several years ago and again late last year it negotiated with Liffe on the bund contract, but those talks were inconclusive.

Mr William O'Connor, the CBOT chairman, said that the memorandum, which was completed at last week's annual meeting of the Futures Industry Association, was the basis of "a potentially long and broad relationship between the two exchanges."

For the DTB, an electronic exchange which competes for bund business with Liffe, it is an opportunity to draw trading volume to its market. It also would provide an international trading and clearing link for members of both exchanges said Mr Joerg Franke, chief executive officer of the DTB.

SYNDICATED LOANS

Cyprus returns with \$35m five-year deal

By Sara Webb

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100

CYPRUS has returned to the international capital markets with a \$35m five-year syndicated loan for the Electricity

Authority of Cyprus. The Republic of Cyprus last turned to the loans market in September 1991 when it wanted a \$120m five-year standby facility to back its \$200m Eurocom-

mercial paper programme.
The latest deal, arranged and underwritten by Sumitomo Bank and Commercial Bank of Greece, is guaranteed by the Republic of Cyprus and will be used to pay for two gas turbines. The margin is 60 basis points over the London interbank offered rate (Libor), with front-end fees of 25 basis points for commitments of \$5m, 20 basis points on \$2.5m and 15 basis points on

Bankers point out that the terms on the latest deal are not truly comparable to those on the earlier Republic of Cyprus transaction which was arranged by Arab Banking Corporation, Bank of America, Bank of Tokyo, Gulf International Bank, Manufacturers Hanover Trust, WestLB Group and Girozentrale Vienna.

The Republic of Cyprus facility paid a commitment fee of 35 basis points, but the margin of 65 basis points over Libor was seen as "academic" since the facility provided a backstop to the commercial paper programme to be drawn in case of emergency.

INTERNATIONAL BONDS

Treasurers tune in to medium-term note programmes

target or missing it can be very fine indeed. Five basis points (0.05 of a percentage point)
may sound a small, almost insignificant fraction, but to an

aggressive corporate borrower it makes all the difference. One result of this relentless pursuit of finer terms is the rapid growth of a medium-term note market in Europe, in some places in direct competition to the public Eurobond market.

Medium-term notes have tra-ditionally existed between the short-term commercial paper markets and bond markets. As with commercial paper, an MTN programme acts as a shelf registration, providing a platform of documentation for a borrower to issue debt instruments whenever needed. The terms of each issue of notes (currency, maturity or perhaps an extra twist, for instance linking the notes to an equity index) are picked to match what investors want at any particular moment. In return for providing tailor-made debt instruments, borrowers

demand - and usually get keener borrowing terms. learning that, rather than just dribbling out notes, they can use the same documentation to

THE line between a corporate launch large-scale, fully under-treasurer hitting a borrowing written issues that look and taste just like Eurobonds. That is unlikely to spell the death of the public Eurobond market. though it is already creating an alternative.

Using MTNs "saves cost and time," said Mr Peter Yngwe, treasurer of Swedish Export Credit (SEK), a frequent user of the Eurobond markets. "It could make the difference between doing a transaction and not doing it, that is the significant thing."

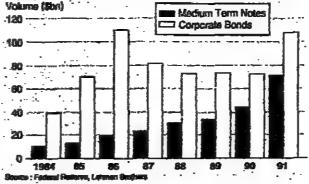
SEK set up an MTN pro-gramme in the Euromarkets a year ago and issued Ecuitoum of one-year notes in a quasi-Eurobond offering. "If it's a short maturity, the costs can be a significant point," said Mr Yngwe. He estimated using the MTN route, rather than a Burobond, saved between five and ten basis points. The savings come from the fact that an MTN programme

can be re-used constantly, spreading the costs of setting it up, while a Eurobond offering is a one-off event. "You spread your cost across

a larger number of bonds." said Enterprise Oil, which created an MTN programme in the US a year ago (the Euro-MTN market is not yet liquid for maturities of more than

Volume (5bri) Mar Medium Term Notes Corporate Bonds

US medium-term notes



issues are illiquid, compared

with Eurobonds. The percep-

five years, Enterprise said). The oil company has used its programme both in the traditional way, feeding \$150m of notes to investors in digestible pieces over a number of months and by launching a fully-underwritten \$100m issue of 10-year notes.

Other borrowers which have recently set up Euro-MTN programmes also expect to use them as an alternative to pub-lic bond markets. Two building societies, Halifax and Leeds, said they expect the programmes to be useful in a broad range of ways. One use could be to refinance existing Eurobond issues: Halifax's Eurobonds date back as much

as five years, soon after the

fact that new note issues are generally small and are not made fungible (interchangeable) with earlier issues under the same programme. That raises fears among investors that there is no depth to the market and that it would be difficult to sell a large holding with ease. Mr Ingwe said that in theory.

liquidity for large issues

should be the same, whether a

company issued paper under a Eurobond offering or through a note programme. But he added: Theory is one thing, reality another." Many investors will only buy Eurobonds. "We have first permitted to borrow in the to go to the investor," he said. capital markets, and refinanc-Some bankers go further and ing could be done through claim that liquidity is actually How far will this market better in the note market than grow? As the chart shows, a the bond market. The argument runs like this: prices in growing proportion of borrowing in the domestic US debt the secondary Eurobond market are determined by marketmarkets is being done through MTNs. The Euro-version of this makers, many of whom set their prices according to what market, though immature by comparison, saw new pro-grammes set up with a total theoretical limit of \$42bn, comthey believe they could get for the bonds by selling to another market-maker. Aside from the pared with \$31bn the year before. original lead manager to an issue, they have little commit-One thing above all is likely ment to market making and no to hold the market back: a percontinuing responsibility for ception by investors that MTN the issue. When bonds come on

to the market they can rico-

tion stems largely from the driving down the price. MTN dealers, on the other hand, say they have a continuing relationship with the issuer and are therefore committed to the programme. So if they are offered bonds in the secondary market, they will make more effort to place the paper with investors, helping to keep the price closer to true value. Being a dealer is "a public commitment," said Mr Keith Phair associate director of

> NatWest Capital Markets. This argument over market structure ignores one important point: that ultimately, prices are determined by what end-investors will pay for them, and that banks only prosper by selling paper through their distribution arms, whether bonds or notes. If investors, whether rightly or not, believe that notes are less liquid than bonds, then fewer will buy them. This in turn helps to keep notes less liquid. This circle will only be bro-

ken when enough investors have dipped their toes in the water and concluded that notes are not so bad after all. With the growing number of treasurers who want to use such funding structures, that day is getting nearer all the time.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Meturity	Av. Info years	Coupen	Price	Book runner	Offer yield
US DOLLARS	_						_
EBt	500	1997	5	F	98.87	Goldman Sachs Intl.	7,278
Daito Trust Const.(o)§?	300	1999	7	3	108	Yamatchi Intl.(Europe)	3.03
DKB.†	200	1997	5	74	100.905		7,029
Toyota Motor Fin.Neths.†	290	1995	3	63		Crot Sciesa First Boston	6.346
Driward Kashiyama Co.	200	1995	4	34	100	Nomura Inti	3.250
elebras.(d)†	90	1997	5	10	98,165	Selamon Brothers Intl.	10,755
lakeno Corp.#†	75	1296	4	34	100	Yamaichi înt.(Europe)	3.25
/asuda Tst.Asia Pacific(n);†	50	2002	10	(d)	102	Crdt.Suisse Fat.Boston	-
D-MARKS							
\sinag\	300	2002	10	- 8	102.0	UBS Bank (Frankfurt)	7,707
lagami Co.(a)#	60	1986	4	45	100	Nikko Benk (Deutsch)	4 625
WISS FRANCS							
ABO,★★(g)	150	2000	-	7	1023	Banque Paribas(Susse)	6,597
Sankyu inc.št	. 120	1996	-	612	100	New Japan Bk (Schz)	8.500
litachi Into Servicest	100	IF 6	-	33	100	SBC	3.375
lio Corporation (m)***	80	- 1996	-	418	100	Nomura Bank	4,168
TEN .							
fitsul Fudosan Co.(c)#1	30bn	1997	514	(c) .	100	Nikho Europe	-
okyo Land Corp.t	2000	1996	4	6.1	101.3	Yamaichi Inti.(Europe)	5.776
epublic of Ireland?	10.5bn	1995	3	51 ₂	100	Darwa Europe	5,466
S Financial Products(hit	4bn	1995	5	(1)	100.25	Soldman Sachs Intl.	-
8 Financial Products(h)†	6bn	1997	5	U)	100.375	Goldman Sachs Intl.	-
S Financial Products(h)?	8.6bn	1998	5	(k)	100.5	Goldman Sachs Intl.	-
38 Financial Products(h)†	13,4200	7,988	7	(1)	100.625	Goldman Sachs Intl.	•

Ватожеть	Amount m	Maturity	Av. His years	Caupon	Price	Book runner	Offer	ylek %
FRENCH FRANCS								
Toyota Motor Creditt Ste Nat Indus Aerospatialet	1,Sbn 1bn	1995 2002	3 10	81 ⁸	101 1375 99.90	Bque Paribas Cap.Mkts. Credit Lyonnais		8. 80 2 9.14
ECU			_					
Kingdom of Denmark(o)† Credit Local de France.(q)† Bank of Greece (p)††	1bn 225 200	2002 1997 1997	10 4 75 5	81 ₂ 81 ₂ (P)	99.27 100.67 100	Unibank/Den Danske Crdt.Comm.de France. UBS Phillips & Drew		9.512 9.310
Cse.Cent.De Coop'aon Ec.f	200 150	1997 1997	5	5% 6%	101 44 99.95	Credit Lyonnais Credit Lyonnais		8.261 7.276
Shimano Inc et Banque Indosuez S.A.t	100 75	1996 1994	4 2	43 10	100 102	Nikko Europe Dalwa Europe		4 876 8.665
CANADIAN DOLLARS								
Smithkline Beechars Cap.† GUILDERS	125	1997	5	912	101.326	Merril Lynch Inti		9.158
Commerzbank AG(I)1 AUSTRALIAN DOLLARS	150	2002	16	812	100 40	Rabobank		B.439
Ste.Bk.of New Sth Wales† Gen.Elec.Cap.Australia.†	100 75	1999 1997	7 5	10 ¹ 2	101 101.40	Deutsche Bk Cap.Mkts. Hambros Bank		0 293 9.634

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No. 1 in Capital Raising for European Financial Institutions



UK GILTS

Election fears add selling pressure Treasuries suffer from the jitters

perform weakly, as investors took fright from opinion polls indicating a poor showing for the Conservative party.

At the same time, a general shift in purchasing patterns for bonds away from European issues and into Japanese and US instruments helped to push down gilt prices.

But in thin trading there were indications of modest buying support for gilts, relative to other European bonds. as the recent rise in yields made the instruments appear cheap to some investors.

Over the week, prices for gilts fell by up to 1/2 point, following a drop of 1% points the week before. There was a consequent moderate rise in

The selling pressure was triggered mainly by nervousness about the April 9 election. Many gilt practitioners fear that a government formed by the opposition Labour party, or a hung parliament, would lead to a large drop in bond prices.

Gilt prices were not helped a general move by international investors to switch money out of European bonds, with US Treasury issues being the main beneficiary. Japanese bonds also experienced extra demand. Much of this development followed jitters about the level of wage settlements and

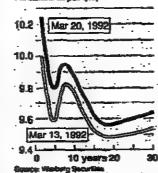
THE government gilt-edged inflationary pressures in Gersecurities market continued to many, which could mean no early reduction in German interest rates by the Bundesbank.

A continuation of the German central bank's tight monetary policy would prolong the period of high borrowing rates in other European countries, including Britain and France. Such countries have to keep their short-term rates tied to those in Germany due to the linkage of the European exchange rate mechanism. The prospect of high rates in Britain and France until well into the second half of 1992 effectively diminishes the appeal to investors of government bonds issued by these nations' governments.

During the week, the shortdated UK Treasury 10 per cent gilt maturing in 1994 dropped by just under & point, closing on Friday at about 993. Its yield was pushed up from 10.04 to 10.12 per cent (expressed in semi-annual terms).

Longer dated securities performed worse, resulting from investors moving their attention away from these bonds to the shorter end of the yield curve. This was in search for what, after the sharp rise in short-maturing gilt yields the previous week, appeared like bargain bonds in the stretch of the curve below the 10-year mark. The 9 per cent Tressury

UK gilts yield Aestated at par (%)



bond due in 2002 lost a little over 1/2 point, closing at 64% for a yield of 9.83 per cent. As a result of these change 10-year gilt yields have gained about 50 basis points (half a percentage point) in yield in the past month, underlining

their reduced attraction. Over the same period, German 10-year bonds have also seen their yields pushed up, but by only about 15 basis points, while French bonds of the equivalent maturity have equivalent maturity have seen a yield gain of roughly 25 basis points.

This means that investors are demanding a yield premium of slightly more than 200 basis points for 10-year gilts against the comparable German bonds. Just three weeks ago, the yield difference between the two classes of

bonds was only 150 basis points, indicating that since then investors have become a

The nervousness shown by many investors about gilts was in spite of economic data last week indicating no let up in the 18-month UK recession.

lot more wary about holding

In normal times, this would increase the attraction to investors of fixed-interest securities. This is on the basis that the chances of large rises in prices at either the wholesale or the retail level in Britain over the next year or so are extremely weak

However, the imminence of the election - plus the doubts about the next move on interest rates by the Bundesbank mean such calculations count

According to Mr Sanjay Joshi, a bond specialist at Daiwa Securities, the Japanese finance house, the German central bank might be so vexed about the dangers of spiralling inflation that its next move might be to push rates up. As well as sending shock waves around European countries, which need to pull rates down to revive their flagging economies, that could accelerate the drift by investors out of the European bond markets and in particular reduce gilt prices.

Peter Marsh

US MONEY AND CREDIT

THE US Treasury bond market is most definitely suffering from a case of the jitters, and there are indications the bearish sentiment will continue this week.

Last Friday saw a sharp fall in the price of the benchmark 30-year Treasury bond, with the % of a point drop - to 99% - sending the yield on the paper up above the 8 per cent mark again, to 8.04 per cent. The price on Friday was still a higher on the week, but the emerging negative trend seems likely to continue.

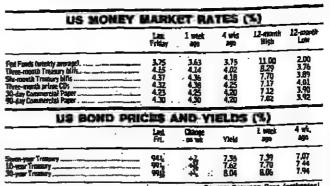
The nervousness stems from mounting fears among investors that the US economic recovery will be stronger and faster than had been previously anticipated. Good news for the US economy means bad news for the bond market, and investor concerns about recov-ery and fiscal stimuli resulting in more inflation are producing higher interest rates in the

market. It does not seem to matter to market psychology that top US officials are on the record as brushing aside any serious concern about inflationary pressure. Nor does it seem rele vant to the knee-jerk bond market that few economists or bankers actually expect much beyond a very gradual and fragile US recovery.

Equally, the market is still worried about an election year tax cut that could worsen the

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sek ended March 9, M1 rose by \$4,2bn to\$839,2bn. M2 rose by \$3,2bn to \$3,484,2bn.

already borrific US budget deficit. But last Friday's presidential veto of a Democratic tax package describes the situation perfectly - a highly partisan battle of words between Mr Bush and the Democrats that is resulting in a prolonged period of maction rather than fiscally dangerous decisionmaking.

While in Washington, an overly optimistic Mr Nicholas Brady, the Treasury Secretary, suggested last week that the recovery is now here, many economists in New York are less bullish.

Mr Philip Braverman, chief economist at DKB Securities, noted that the US economy remains vulnerable to new recessionary setbacks, possibly stemming from major real estate, bank and insurance

company bankruptcies. Mr Braverman also warned that the perception of an eco-nomic pick-up is due to a com-bination of transitory factors. inflated by inappropriate sea-

sonal adjustments. The market's response to such common sense caution is a great big "So what!" Something of a panic has hit a large number of the narrow-minded and short-term denizens of the Treasury bond market '

A few indications of an improving retail sector started the ball rolling. Never mind that one or two statistical indicators do not a roaring retail recovery make. Then, on Friday morning, the Philadelphia Federal Reserve's monthly regional survey also indicated an improving trend - helping

to trigger Friday's sell-off. This week the bond traders will be glued to their Reuter monitors once again, watching a stream of more data and once again confusing the forest with Majo

the trees. On Wednesday, for example the latest numbers on durable goods orders could show a 4 to 5 per cent increase. Secondary home sales figures for February could meanwhile show a 7

or 8per cent rise. If those two numbers are not enough to spook the market, then personal income and spending figures on Friday should do the trick. These, respectively, are expected to show improvements of 0.4 per cent and 0.7 per cent.

In this environment, the market will also be keeping a weather eye on the Treasury's expected auction of \$14.75bn in two-year notes and \$10,25bn in five-year notes. Ms Maria Ramirez, the bond analyst, said a coupon of 5% or even 6 per cent may be required to attract investor interest, which would suggest the highest level since

The bottom line would seem to be that the US recovery may well be getting under way, but not nearly so fast as the statistic watchers fear. Whether such common sense matters to bond traders is quite another

Alan Friedman

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DANISH BONDS

Political factors tighten investors' nerves

DANISH economic indicators are pointing the right way for bond investors. Low inflation. moderate business growth and a strong external account should, all other things being equal, point to falling yields.

As the Danish economy is currently more stable than the German economy, measured by inflation, there is a potential advantage in Danish bonds for investors who believe that yields on German bunds are likely to rise.

But over the past few days the spread between yields on bunds and Danish government bonds has widened from around 50-60 basis points to 70-75 basis points. The main reason is a degree of nervous-

Global Capital

Can. \$300,000,000

New York

Goldman Sachs International Limited, a member of SFA

Montreal

Tokyo

Singapore

London

Madrid*

ness in the market over Danish political developments, said Mr Birger Durhuus, analyst at Danse Bors, the broking arm of Den Danske Bank.

Three events, which formally are unconnected but interact with each other as far as impact on the market is concerned, are tightening nerves

in the dealing rooms.

The opposition Social Democratic Party's leader, Mr Svend Auken, is being challenged for the leadership by his deputy, Mr Poul Nyrup Rasmussen. If Nyrup wins, the party will have a better chance of winning the support of the small centre parties in the eightparty Folketing and thus of an eventual return to power.

U.S. \$75,000,000

• The referendum on the Maastricht treaty takes place on June 2. Recent opinion polls have shown majorities against approving the treaty. A "No" vote would have serious consequences for Denmark's future position in Europe.

 In September, the report of a commission of inquiry into a political scandal concerning Tamil refugees will be published. It may conclude that Mr Poul Schluter, the prime minister since 1982, misled paritament, in which case he could resign. This might result in a change of government, either with or without a general election first.

Politics aside, Danish economic performance is satisfac-

U.S. \$295,000,000

tory from a bond investor's point of view. Denmark is one of only two or three countries which currently meet all the so-called convergence criteria required of potential members of the EMU, including low inflation, stable exchange rates, interest rates in line with those of leading countries, and a manageable budget

deficit. The budget deficit, however, is big enough to make the market in government bonds interesting. State net borrowing increased by DKr27bn in 1991 and the figure will not be much different in 1992.

Can. \$125,000,000

Hilary Barnes

ABBEY NATIONAL 9 3/4 94 ABN 9 L/8 94 AETHA LIFE & LAS 7 3/4 LA NAME 7 34 % AN COS 1/2 % EURO TRUST 8 34 % 1 III 0 98 IUCX EURO 9 3/4 15..... 4

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STRAIGHT BONGS. Vield to redemption of the bid-price. Amount issued is expressed in millions of currency units.

FLOATING RATE HOTESAUS dollars unless indicated. Margin above six-ments offered rate for US dollars. C. con—current colipso.

CRIMVERTIBLE BONGS: US Dollars unless indicated. Prem = percentage premium of the current effective prior of buying there will the bond over the most recent share price.

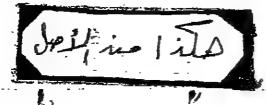
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E SEK Finnish Export Credit Ltd Finnish Export Credit Ltd AB Svensk Exporticredit U.S. \$150,000,000 Can. \$130,000,000 ECU 240,000,000 U.S. \$100,000,000 Norsk Hydro a.s City of Stockhoin U.S. \$260,000,000 U.S. \$150,000,000 FIM 300,000,000 U.S.\$92,500,000 Meante Firminica 8.V. We are pleased to record that Goldman Sachs was again at the forefront of international financing for Nordic borrowers in 1991.

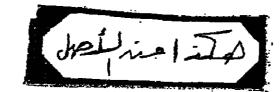


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THE WEEK AHEAD

ECONOMICS

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Vian Friede

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Major faces trade figures hurdle in election run-up

POOR economic data during an election campaign is never good news for the incumbent party, but trade figures are especially unwelcome.

They have contributed towards upsets on many occasions, the February 1974 election campaign to name but one. A current account deficit of -£312m for January was announced just two days before the actual election. Mr Edward Heath, the sitting prime minister lost.

So the Conservative party will be waiting in some trepi-dation for today's trade figures even if they do come almost three weeks before polling day. Once they are out and absorbed, John Major can breathe a sigh of relief, for there will be no more signifi-cant UK economic data announced before the election.

Highlights of the week ahead, with the median of City forecasts in brackets from MMS International, a financial information company, include: Today: UK, February visible trade balance (£900m deficit), February current account (£450m deficit); Japan, February money supply (up 2.2 per cent on year); Sweden, fourth quarter GDP; Canada, January retail sales (up 0.9 per cent). Tomorrow: US, presidential

RESULTS DUE

FULL-YEAR figures tomorrow from P&O, the shipping, construction and property group, are expected to show a drop in pre-tax profits to around 2200m-2210m from £261.3m in 1990. This will be the second year of sharply folling profits therein. of sharply falling profits, though the forecast assumes a more sta-ble second half after interim fig-

(1132-im). P&O's balance sheet was bolstared by a 2504m rights issue announced with the interims, when a maintained final dividend was promised. On Wednesday Reckitt & Col-

ures showed a plunge to 273.1m

man, the consumer products group, should report a rise in annual pre-tax profits to around annual pre-tax profits to around \$255m.2250m, up from \$225.2m in 1980. The main feature will be the performance of Boyle Midway, the US business bought in 1980, in its first full year when some significant savings have been made. Also, the benefits of the restructuring of the Euro(Fr0.5bn surplus). Wednesday: UK, Engineering Employers Federation release

France, February trade balance

state of business report and forecasts for the second quarter, February building society net new commitments (£2.6bn); US, February durable orders (up 1.8 per cent), February durable shipments, February existing home sales: Canada, January international securities transactions. Thursday: UK, NOP opinion

poll ~ Newsnight/Independent; US, fourth quarter final GDP (up 0.8 per cent), fourth quarter final GDP deflator (up 1.7 per cent), fourth quarter after tax corporate profits, February export and import price indices, M1 (\$2bn), M2 (flat), M3 (\$2km) for week-ending March 16, initial claims for week ended March 14 (435,000), February new motor vehicle registrations, Japan, January personal income, January personal consumption expenditure, February retail sales (up 2.7 per cent on the year); Australia, February motor vehicle registrations (down 5 per cent), fourth quarter average weekly earnings, January manufactur-ing price index.

Friday: US, February personal

pean business over the last cou-ple of years should be visible. Interim profits were up 13 per cent to £127.6m.

interim profits were up 13 per cent to £12/km.
Cookson, the chemicals group, also reports its full-year profits on Wednesday. Analysts' expect pre-tax profits to well below last year's figure of £37/km. Estimates at the top and are about about \$45m, and the market is likely to be disappointed with anything below £46m.

The main concern will be the dividend which was cut last year to 6p for the year. There is nervousness it could be cut again which analysis would take as a signal the new management team has lost confidence in its policies. They will also be looking for any sign of an upturn; particularly in the US.

Wellcome, the healthcare company, which reports its preliminary results on Thursday, gave a profits forecast of not less than £285m (£181.2m) when the Wellcome Trust, the largest share-

primary in Connecticut, auto-sales for March 11-20 (6.2m); ruary personal consumption expenditure (up 0.8 per cent), February bank credit, February commercial and industrial loans; UK, March CBI industrial trends survey; Japan, March Tokyo consumer prices index (up 2 per cent on year) excluding perishables (up 2.4 per cent on year), February national CPI (up 1.9 per cent on year), excluding perishables (up 2.2 per cent), preliminary figures for February industrial production (down 0.7 per cent); Canada, February industrial product price index (up 0.1 per

income (up 0.7 per cent), Feb-

During the week: Germany, February import prices (up 0.3 per cent on month, down 1.4 per cent on year), February final cost of living (up 4.3 per cent on year), March preliminary cost of living (up 0.3 per cent on the month, up 4.7 per cent on the year). February M3 from fourth quarter base (up 7.6 per cent); Italy March consumer prices index for the major cities (up 0.4 per cent on month, up 5.5 per cent on year), February trade balance; Japan, February trade balance and current account on IMF basis; France, February unemployment rate (9.9 per cent).

Emma Tucker

holder, said it would be selling a substantial part of its 73.6 per cent stake.

cent stake.

Underlying sales growth should be about 20 per cent, with Zovirax, the herpes treatment, and Reirovir, the Aids drug, performing well. Analysts will also be looking at the performance of new products such as Exosurf, a respiratory drug, and Wellbutrin, an anti-depressant.

Lasmo, the independent oil exploration and production company, will report its results on Wednesday when analysts believe it will show a drop in net income of some 210m to 271m as

believe it will show a drop in net income of some £10m to £71m as a result of low oil prices. But the company is also planning to change its accounting practices. Burmah Castrol, the refining and lubricants company, reports on Thursday and although more insulated from the low oil price than exploration companies, is

insulated from the low off price than exploration companies, is expected to show a fall in net income to 272m from 297m the

UK COMPANIES

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COMPANY MEETINGS
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E WEDNESDAY MARCH 25 COMPANY MEETINGS: Solloogh, The Countyard, 25, Euston Contre. Euston Rasid, N.W., 12:15 continental Assets Tyl., 1, Charlotte Science. Edinburgh, 1230 Domine Pyteline rridge, 11:00 10 American Cambridge, 11-20
Ferming American lev. Tet. 25, Copthan
Avenue. E.C., 12-00
Bootlah American lev. 46, Charlotte Square,
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Place, W.C., 12-00
BOAND MEETINGS.

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Firstour, Circus E C. 1100 TSB Grp., The Most Mouse Int. Hotel, Glasgow 10:30 BOARD WEETINGS Fire.s APV Appleyand Booker

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COMPANY MEETINGS:
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Weecol Grp., Black Horse Im., 198, Towngate,
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Yorkshire Chemicale, Kirkstall Road, Leeds,
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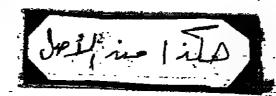
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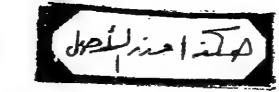
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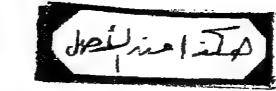
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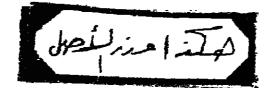
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CURRENCIES, MONEY AND CAPITAL MARKETS FOREIGN EXCHANGES AND MONEY MARKETS Dollar looks strong THE DOLLAR and sterling will out of five of which showed the again be closely watched in the currency markets this week although for different reasons. on April 9. UK clearing bank base lending rate 18.5 per cent from September 4, 1991 The dollar surprisingly breached the DM1.68 barrier on Friday, after dealers had intervention. Dealers say that this might be explained by the belief that, as both the Conservatives and predicted a consolidative period for a couple of weeks would see it locked in a DMI-6350-DMI-6720 range.

expected imminently. Dealers will be watching for sterling's reaction to yesterday's opinion polls, four

E IN NEW YORK

STERLING INDEX

So far, sterling has held steady, with very little activity at all. Some buying interest whenever it nears its effective floor against the peseta has been enough to underpin it without Bank of England

Labour are committed to taking sterling into the narrow band of the ERM at a DM2.95 central rate, sterling has less Renewed dollar optimism could see it rise again this week, if the figures for durable goods orders on Tuesday, GDP on Thursday, and personal to fear from an outright victory by either party than it does from a hung parliament and prolonged political uncertainty. income and consumption on Friday are encouraging.
Although it has been largely

They warn that if this priced in by the market, the dollar could draw longer-term support from a likely cut in the Bank of Japan's discount rate, scenario looks likely, and domestic investors decide to sell sterling, foreign investors could follow suit. This could still see the UK currency being pushed down towards its absolute ERM floor of DM2 2720

DM2.7780.	ariair r	
CURRENCY	MOVE	MEKTS
Mar 20	Hank of - England Index	Margus ^{to} Georges % Changes %
Sterilog U.S Doster Cottellan Doster Antorius Schilling Belgian Franc Dasids Krone D-Hart Swiss Franc Datch Golder French Franc Lira Peceta	87.8 65.9 100.7 109.8 111.3 108.7 118.2 105.8 114.2 107.3 106.8	-21.6 -12.8 -1.7 412.2 -1.9 42.9 42.9 43.4 -12.7 -17.8 -18.8
Morgan Grara	nly change	S: average

	Dutch Golder French France Lifta Van Pesetta Mergan 1980-1982-10 Annage 1985-	Mariana Mariana Mariana	114.2 103.1 98.6 138.7 106.8 y change of England	+16.2 -12.7 -19.9 +72.9 -18.8 s: average index (this
	CUR	REM	CY RA	
	May 20"		Granding Rights	Carsency Unit
725 7160 39.90 3625 5.390	Starling U.S Dollar Canadian S Austrian Sch Belgian Franc	755 755 755 755 755 755 755 755 755 755	0.794552 136520 1.63373 15.9797 46.7103	0.7(AUX) 1.25873 1.45474 14.5785 42.0552

			CON		GT MA	7 22
OTHE May 20	A CURRE	NCIES	New 20	limb 4	Special * Granding Rights	European Carrency Unit
Argentina Andreila Grazif Findand Grace Hong Kong Fron KoreaShin Luxenthourg Malaysia Mexico M. Zosland Singujori Singujori Singujori Singujori Singujori	\$137.25 - 3339.45 7.7920 - 7.8050 327.900 - 1333.150 13.2000 - 13.75 2475.05 1311.96 - 1333.16 0.50000 - 0.5025 5.905 - 59.15 4.4040 - 4.155 3.1005 - 3.1050 5.3500 - 5.450 4.75230 - 4.9345 4.92530 - 4.9345	19230 - 19530 7.7440 - 7.7460 143250 76880 - 778.00 34.61 - 34.70 2.5870 - 2.5890 3661.00 - 3062.00 18180 - 18205 1.495 - 3.7505 1.6640 - 1.6660 2.8905 - 2.905	Starling U.S Dellar Canadian S Anstrian Sch Beigtan Franc Davidin Franc Davidin Krose D-Wart Dettch Garlian Franc Hallan Lira Lupanese Yen Morway Krose Spartch Peseta Spartch Krose Seetis Krose Franc Greek Dosch Irish Pient	830 950 840 840 450 450 7,00	0,794552 134520 134520 159797 46,7103 8,81032 2,24965 2,56098 7,77249 1711,72 180,694 8,23742 2,02394 8,23742 2,02394 8,23742 2,02394	0.71416 1.21873 1.45979 14.5785 42.0552 7.93147 2.04310 2.30047 6.9545 1.9545 1.03516
U.A.E	43.40 - 43.60 6.2325 - 6.3090 te. iras Official rate	25.46 - 25.49 3.6715 - 3.6735 5115.25 567.25	& Bank ritte refe These are not on a European Come All SDR rates	oted by ti	e UK. Saak	meri reteri. And instant.
CHICAG	a		14		· ·	. 19

A lównió u	POR. HARM LATER	OR PERE	د صح	7.45	" All	SDR rate	e era for	Mar 19		
CHICAG	BO	.: ::	:			- 1 - 1		i Arti		
ILS, TRICA 5180,000	1127 HONE 1204 of 108	*		٠.	A17.		OJ (2001)	-		
Mar Jun Seo Dec	98-21 97-18 98-19 98-23	1 18 1 18 1 17 1 18 1 19	90-18 77-13 60-13 80-13		Jun Sep Dec Mar		0.744 0.744 0.744	0.7480 0.7481	0,7417 0,7426 0,7450 0,7450	0.747 0.747 0.747
Jun See Dec Mar			:	94-30 93-20					-	
Jan Sep		:			- Jun		0.5703 0.5833 0.5833	0.5922 0.5922	0.5855 0.5791 0.5750	0.590 0.580
U.S. TREA Slas point				<u>. </u>	Jun Jun	٠.			. :	
Jun Sep Dec Mar	500 500 521 521	High 95,70 95,70 95,70 95,70	95 AZ	95.68 95.75 96.75	THE	E Minit	100%	OLLAN C		
Mar	4.4	\$4.50	· 44.48	64.48	: ## ##	·	95.19 95.19 94.67 94.85	94.50 94.50 94.00	94.65	779 95.7 94.8 93.9
SIZITEM P Si per É	OUND COMP				Jun Jun		67.78 67.78	93.75 13.24	95.55 95.56 92.65	93.9 93.7 93.1 92.7
Jun Sep Dec	1.6866 1.6866 1.6416 1.6402	High 1,6910 1,6650	1.6732 1.6490 1.6260	Prev. 1,6848 1,6600 1,6368	Des Mer		92.19 92.14 PORS 5	92.32 92.26	92.16	92.2
SWISS FIL	LIC (INTE) E S par 174				Jun San	times in	Clam 410.90 432.55	Klgh 411.50 413.00	Low 409.40 411.15	911 931
Juo Sep Dec	Close 0,6571 0,6468 0,6425	0.6539 0.6539	0.6415 0.6415 0.6365	0.6483 0.6483 0.6483	Dis	·.).	414.50	415.00	413.20	414.8
PHILABEL 231,250 to	PHIA SE C/I	OFTENS.		7.			•	: ::		
Strike Frice 1.673 1.700 1.725	414 2.48 1.40	4.76 3.26 2.24		im 112 73	\$40 1.02 1.63 1.63	0.65 1.81 3.00	2/ - 3/	Pais NY US 53 02	12.	\$40 6.97 7.67 9.28

POUL	ND SPOT	- FORWA	ED AGAIN	IST '	THE POU	NE
Mar 20	Day 5 spend	Dote	Dire month	,,	Three months	
15	1.6975 - 1.7100 2.0370 - 2.0620	1 7060 - 1,7070 2 0370 - 2 0380	0.93-0.91 <i>c</i> ms	6.47	176-167pm	4
letherlands	3 2150 - 3 2250	3 2250 - 3 2250	0 65-0.56cpcs 1-1-1com	356	1.73-1 61pm	3
elaba,	58 88 · 57.15	59 05 - 59.15	7-4000	112	3-13EM	ĭ
lentrary.	11 0895 - 11 1525	11 1425 - 11 1525	7 Jarean	0.67	24-400	Ē
reland	1 0700 - 1 0750 2 8575 - 2 8625	1.0725 · 1.0735 2.8575 · 2.8625	0 C2-0 01cpm	017	0 05-0 02mm	9
tristal	245.45 - 246.95	243 85 - 246 85	in in promi ∆6-91com	079 -387	179-2200s	-3
ooin	180.30 180.85	180 30 - 180 63	23-31046	-186	76-89ds	-i
		2149 25 - 2150 25	7. Pireds	-1.40	7-94s	-i
ioenay		11 2700 - 11,2800	L. Lorence	0.53	15,-1,000	Ō
rance	9 6965 - 9.7375 10 3480 - 10 4225	97275 · 97375 104025 · 104225	p-richer	046	1 4 - 4 թա	ō
17H5	228.25 - 229.45	10 425 - 10 4225 228.25 - 229.25	%-4.credit 14-196€	765 557	14-2468 34-3408	-0 5
antria	2010 2016	2011 2014	24-11-9000	123	9 7-4 7 Det	1
erkzerbend	2.5940 - 26075	2.5975 - 26075	1 _e —com	202	14-1400	2
OL	1.3980 - 1.4005	13980 - 13990	0 10-0 Discom	0 64	0.22-0 16om	ō

Har 20	Day's spread	Close	One month	T &	Three months	83
彫	16975 - 17190	1.7060 - 1.7070	0.93-0.91000	647	270-267pm	62
relandi	1.5870 - 1.5920	1.5900 - 1.5910	D 87-0.84com	4.45	252-245pm	b 2
areda	11960 - 1.1990	1.1900 - 1.1990	0.28-0.31mb	-295	0.90-0 956%	-30
etherlands .	1.8815 - 1.8965	1.8870 - 1.8880	0.84-0.87csts	-5.44	2.50-2.54dis	-53
eighten		34 60 - 34.70	15.00-16.00cds	-537	44 00-47.00ds	-52
enanark	6.4900 - 6.5350 1.6710 - 1.6850	6.5300 - 6.5350 1.6760 - 1.6770	2 90-3 30ore46 0 77-0 78afas	З벍	9.00-9.60@s	-56
NITARY	144.10 - 144.58	144 40 - 544.50	114-12166	3%	325-340d/s	42
	105 40 - 106 45	105.35 106.45	72-75cds	-829	214-218dis	
12 Ja	1256 06 - 1265 06		8 10-8 60amedis	136	23 90-24 9064	-81 -77
TEST		5.6050 - 6 b100	3.05-3 45credis	3.6	9 45-9 9565	-58
200	5:6700 - 5 7200	5 7000 - 5.7050	2.79-2.84cds	-5 92	6.26-6.36dis	38
reder	6.0670 6 1120	6 1025 - 6 1075	3.50-3.75cress	73	10.55-11 00ds	-70
HENRY	133.55 - 134.65	134.00 - 134.10	0 08-0 09ds	-0.76	0.14-9 164s	-0.4
-	11 7000 - 11 NEED	11,7900 - 11,7950	4/6-5 10 miles	527	14 HQ-14 QQda	-57
itariani.	1.5145 - 1.5305	1.5245 - 1.5259	0.57-0 60ctls	1.60	2.59-1.62dk	-42
M	12130 - 12230	12155 - 12165	0.62-0.59com	597	180-1.7602	5.8

Mar. 28	£	\$.	DM	Yes	F Fr	S Fr.	K FI,	Ling	ಜ	B Fr.	Ecu
. £	1	1.707	2.860	228.8	9.733	2.603	3.990	2150.	2 038	59 10	1.399
. 2	0.586	1	1.675	134.0	5.702	1.525	1.886	1260	1.194	34.62	0.820
9#	0.350	0.597	1	80.00	3 403	0.910	1.126	751.7	0.713	20.66	0,489
YEN	4.371	7.461	12.50	1000,	42.54	11.38	14 07	9397	₹ 407	2563	6 115
FFr.	1.027	1.754	2.938	235.1	10.	2.674	3.308	2209	2,094	60.72	1.437
S Fr.	0.384	0.656	1.099	87.90	3.739	1	1.237	826.0	0.783	22.70	0.537
質でも	0.311	0.530	0.888	71 06	3.023	0.808	1	6677	0 623	16.35	0.434
Lira	0.465	0.794	1.330	106.4	4.527	1211	1.498	1000.	0.948	27.49	0,651
· CS	0.491	0.838	1.403	1123	4,776	1.277	1.580	1055	1	29.00	0.686
B Fr.	1,692	2.888	4.839	387.1	16.47	4.404	5 448	3638	3 448	100.	2.367
							2302				

81	URO-CL	PREN	Y INT	REST	RATES	
. Mar 20	Short Leres	7 Days actice	One Month	Tiree Months	Siz Months	Çon Year
Startlag US Bollar Con, Bellar Dotch Guider Swiss Franc - Mark French Franc - Mark Reigian Franc - Mark Reigian Franc - Mark Reigian Franc - Mark - M	104 113 44 44 64 64 64 64	19 44 5 5 6 5 6 5 6 5 6 5 6 5 6 5 6 5 6 5	104 44 44 44 44 44 44 44 44 44 44 44 44 4	1447.00 8 8 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Harris Harris H	114 - 107 -
Long (erm Europeila) years 7 & -7 & per cen	ns: two years 67 t seentest. Shor	e-6% per cent, i terca rados arq	tirm years 616 call for US Dol	-615 per cent; f lens and Japane	oer years 73g-73 ne You, ochers, t	le per casi, fire no days' actics.
FF	LOND	ON IN	TERB	ANK I	FIXING	
G2 00 a = 10	- 20 3	the 197 dellar				

The fixing rates are the argument to the assisted by the assisted by Bank, Bank of Tokyo, De	igionelle mour he reference i neache Bank,	s rounded to th sacies at 11.00 Banque Matien	e rearnst are-si a.st. sech wort all de Paris an	streeth, of the day, The S d Morgan Gue	bid and offers ands are Matic mate Treat.	d ratesfor \$10 and Westmans
		ONE	/ RAT	ES		
MAW YORK	٠		Transury	Blits and	abnott	-
4pm Prime rate Broker lean rate Fed. funds at intervention.	64	Day styceth		清爽)	7.57 7.64 8.05
Mar.20	Oversight.	One Mooth	Two Mouths	Three Months	Six Months	Lombard Intervention
Frankist	9.43-43% 93-10 74-84	9.40-4.70 97-10 87-84	9.60-9 70 9 1-10	9.60-9.70 918-104 84-87	9.60-9.70 98-91	9.75 9.60

101-101 101-101

L	ONDO	N MC	NEY	RATE	28						
Mar 20	Overalght,	7 days notice	One Month	Three Months	Six Months	One Year					
Interbank Offer Interbank Bid Ster Ing CDs Local Anthority Bones Discount Mit. Deps Local Anthority Bones Discount Mit. Deps Company Deposits Finance Honse Honse Deposits Finance Honse Honse Deposits Finance Honse	101 ₂ 101 ₂	10% 10%	100000 - 1000000 - 10000000000000000000	1200 - 12	11-11-11-11-11-11-11-11-11-11-11-11-11-	11 1014 11 11 11 11 11 11 11 11 11 11 11 11 1					
Treasury Bills itselD; one-month 10½ per cent; three months 10½ per cent; six months 9½ per cent; Bank Bills (selD; one-month 10½ per cent; three months 10½ per cent; Treasury Bills, wherage tender rate of discount 10.1562 pr cent; three months 10½ per cent; Treasury Bills, wherage tender rate of discount 10.1562 pr cent; three months 10½ per cent; Treasury Bills, wherage tender rate of discount 10.1562 pr cent; Bread Sierling Export Finance Make up day February 28, 1992. Agreed rates for period Mar, 25, 1992 to April 25, 1992, Scheme is 11.67 p.c., Schemes is & Ill: 11.64 p.c., Schemes is & Ill: 11.64 p.c. Scheme rate for period Feb 1.1992 to February 28, 1992. Scheme iv &v. 10.433 p.c. Local Authority and Finance Houses seven days notice, others seven days been belowed by the first of the seven days notice; others man at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit Cates of the seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit cates of the seven days notice 9 per cent; one-three months 92 per cent; three-tim months 90 per cent; sheet-time months 92 per cent; per cent											

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FT-A	CTUARIES	WORLD	INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		•	FR	DAY- MA	RCH 20 1	992				THURSO.	Y MARC	H 15 198	2	DOL	LAN IND	EX
Figures in parentheses show number of lines of stock	US. Dollar Index	% chg (\$) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg Irosa 3V12/91	Gross Div. Yield	LIS Dollar Index	Pound Sterling Index	Yen Index	Dist	Local Currency Index	1991/92 Kign	1991/92 Law	Year ago (approx)
Australia (69)	143.43	-4.9	124.61	121,54	125.02	125.60	-4.9	4.41	142.22	123.20	119.79	123.45	124.51	160.91	112.74	133.30
Austria (20)	172.89	+3.8	150.21	148.50	150.70	150.55	+ 14.7	1.92	174.08	150.78	146.62 115.91	151.08	150.96	222.37 151.20	153.88 118.04	198.25
Belgium (46)	136.59	-5.4	.118,67	115.73	119.05	118.72	+4.9	5.11	137.52	119.21 112.76	109.63	119.45 112.97	116.92 112.78	144.28	126.49	141.83 136.05
Canada (115)	129.78	-4.8	112.76	109.97	113.11	112.63	-1.3	3.29	130.17	205.02	197.41	203.43	208.88	273.94	217.74	246.46
Denmark (36)	232.65	- 12.9	202.13	197.14	202.78	206.71	-3.7	1.78	234.37 79.29	68.68	86.79	68.82	75.52	125.15	73.32	121.80
Finland (15)	79.51	+1.9	69.07	87.37	69.30	76.09	+ 12.4	2.07	150.17	130.08	126.48	130.33	133.58	158.43	119.11	139.34
France (108)	149.29	-0.8	129.70 101.59	126.50 99.09	130.11	133.54 101.91	+9.2 +10.1	3.34 2.25	116.78	101.16	96.38	101.36	101.36	125.35	94.15	109.33
Germany (65)	116.93	-0.3 +18.2	181.06	176.59	181.68	207.23	+ 17.7	3.76	207.20	179.48	174.52	179.85	206.05	210.88	119.62	150.95
Hong Kong (55)	208.41	- 6.9	135.68	132.33	136.12	138.35	+22	3.69	155.93	135.08	131,34	135.34	137.80	182.48	132.88	171.11
Ireland (18)	156.17 70.76	-6.1	81,47	59.95	61.67	66.57	+29	3.49	71.29	61.78	60.05	61.88	66.89	88.23	64.78	81.65
Italy (77)	106.58	-27.5	92.60	90.31	92.91	90.31	- 15.B	0.94	107.22	92.88	90.31	93.08	90,31	148.97	104.90	140.90
Japan (473)	242.33	+13.1	210.54	205.33	211.21	241.54	+7.8	2.60	240.90	208.68	202.90	209.09	240.25	250.18	189.18	236.92
			1454.84	1418.74	1459.38	5504.44	+21.2	1.01	1653.16	1432.05	1392.44	1434.89		1789.77	534.45	716.17
Mexico (18)	148.54	-2.7	129.05	125.87	129.48	127.97	+7.5	4.32	148.98	129.05	125.48	129.31	127.83	156.4B	125.70	138.22
	44.99	-4.2	39.00	38.13	39.22	43.48	-5.9	6.32	44.91	38.91	37.83	38,98	43.51	54,64	41.18	44.14
New Zealand (14)	170.01	-4.9	147.70	144.06	148.18	152:47	+5.3	1.67	169.94	147.21	143.14	147.50	151.37	223,24	157.08	199,17
Norway (24)	204.65	-68.	177.80	173.41	178.37	157,02	-4.3	2.19	206.02	178.46	173.53	178.81	157.27	228,43	151.63	196.67
Singapore (38)	227.17	-8.7	197.37	182.49	198.00	177.88	+27	2.83	223.54	193,84	188,28	194.02	177.36	271.99	173.00	202.74
South Africa (61)	150,27	-3.9	130.55	127.33	130.97	121,12	÷ 5.7	4.96	151.53	131.26	127.63	131.52	121,28	171,12	131.51	161,96
Spain (51)	185.71	+25	161.34	157.36	161.67	187.84	+12.0	271	187.11	162.09	157.61	162,41	168.07	204.12	148.60	190,90
Sweden (25)	98.02	-23	85.16	83.06	85.45	92.87	+8.9	2.19	98,44	85,27	82.92	85.45	92.43	104.22	82.17	93.67
Switzerland (59)	167.62	-9.6	145.63	142.02	148.09	145.83	-0.6	511	168.86	146.28	142.22	146.55	146.28	187.44	156.27	176.31
United Kingdom (233),	167.94	-1.1	145.91	142.31	148.39	167.94	-1.1	2.91	167.46	145.06	141.06	145.38	167.46	171.66	125.95	148.83
Europe (808)	139.66	-5.4	121.35	118.36	121.75	122,35	+4.2	3.97	140,43	121.65	118.28	121.89	122,49	151.52	125.50	141.40
Nordic (100)	173.42	-5.6	150.67	140.95	151.18	149,98	+4.2	2.17	174.52	151.18	147.00	151.48	149,95	200,81	155.55	185.72
	111.25	- 18.9	96.65	94.27	96.98	94.76	-13.7	1.32	111.74	96.80	94,12	96.99	94,59	145,92	109.69	140,55
Pacific Basin (717)	122.56	-13.3	106.74	104,10	107.08	106.37	-8.4	2.52	123.46	106.95	103,98	107.15	105.38	147,68	121.29	141.25
Euro - Pacific (1525) North America (638)	165.54	-1.3	143.82	140.29	144.31	164,18	-1.1	2.93	165,11	143,03	139.09	143.83	163.74	169.69	125.81	147.98
Europe Ex. UK (575)	122.20	-2.4	108.17	103.57	106.53	108.55	+7.9	3.19	122.60	106.28	103.38	106.51	108.43	129,50	103.58	120.26
Pacific Ex. Japan (244)	157.24	+4.8	135.61	133.26	137.08	140.25	+42	3.84	158.35	135,44	191,71	135,72	139,48	158.16	111.40	135.55
	125.26	- 12.7	108.82	106.15	109.18	108.66	-5.6	2.54	125.78	108.98	105.95	109.16	108,66	148.16	122.32	142.01
World Ex. US (1719)	135.94	8.2	118.11	115.20	118.50	125.03	-4.4	2,42	136.03	117.83	114.58	118.08	124.80	150.58	120.05	140.00
World Ex. UK (2009)	138.14	-8.3	120.02	117.07	120,42	128.53	-4.1	2.69	138.35	119.85	118.54	120.10	126.38	153.05	122.92	142.88
World Ex. So. Af. (2181) World Ex. Japan (1788)	156.95	-2.4	138.35	133.00	136.82	148.02	+1.2	3.31	156,89	135.91	132.16	136.20	147.78	181.90	128.89	145.84
	138.71	-8.3	120.51	117.64	120.91	126.99	-4,0	2.89	138.89	120.32	115,99	120,58	126.84	153.70	123.28	143.22

Base values: Dec 31, 1986 = 100: Finland: Dec 31, 1987 = 115.087 (US 5 index), 90.791 (Pound Starling) and 5	94.94 (Local); Nordic: Dec 30, 1
(US \$ Index), 114.45 (Pound Starting) and 123.22 (LOCS)	
Copyright, The Financial Times Limited, Colonial, Scale (Spain), Japanese market closed March 20.	

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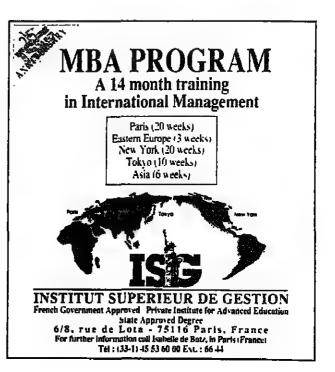
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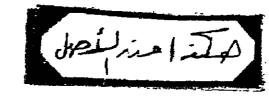
	Gold Mines	123,4	122,1	121.3	118.0	118.3	123.9	222.8	776,0	734.7	43.5
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l	"Shorts" (Lives up to Five			Treas 81 ₂ pc 19994s.		-4 1,456 Jy15 Ja15	7.1 1347	Consolit 2 la pr		-4 56 Ap6 0c5 -5 278 SJeApJyO	23 132 23 123
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1	Trans 8 4 pc 1983 88 4	-2 868 Au18 Fe18	12.1 5047	10pc 2001		-3 4,105 Au26 Fe26		30¢ '95((87 S) TOU() .	. 1,000 Mr16 Sell	
1	10oc 199332	-2 1,850 Oct5 Ad15	5.3 1279	14pc '98-01		-3 979 Nv22 Mv22		212 pc 01	70.0) 165; TI -	-3 1,158 Mr24 Se24 -3 808 Nv20 My2	17.2 1311
ı	123-nc 1993++ 1023-	-2 1.180 Jule Jule	7.1 1296	9 4 pc 2002		-3 3.071 Fe27 Ad27	21,11349	2nc 06	69 54 140	3 1,200 1219 Jy18	0 14.19 1311 12.32 1314
1	Fonding Soc 1993:25	-4 800 Ltn5 Se15	7.2 1276	9 kg 2002 C		-4 1.688 Fe27 Aud7		2pc 06	78 Bi 126 4 -	- 6 1.180 M: CO M:/8	34.10 171
ŀ	Treas 73 % pc 199348 186 &	-3 1.865 VA-23 AA-23		10oc 2003		-3 1.783 M/B Sell	31,11261	212 pc 71	74B) 13B,2 <	6 1,450 Fe23 Au21	17.1 1319
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ı	Each 13½ pc 1994	-2 1.189 DC27 A527		Conversion 9 % oc 20		-1 1.512 An25 0:25	19.3 1245	212 pc '20(212 pc '24##(030) 788(14 =	7 1,400 Oc16 Ap16 7 900 Ja17 Jy17	19.3 132.
ı	Treas. 10pc Ln. 1994# ###	-3 1.900 Des 369	4.117284	912 pc 2004 A		-1 1,508 An25 Oc25	19.5 -	in Figures in or	Promineral Chron	RPI base for ind	Hila I Jail
ı	Exch 12 5 pc 1984 104H	=2 1,248 Ft22 Au22	18.1 1253	91 ₂ pc 2005		-2 3,892 Oc16 Ap18	12.3 1247	modUS prior to is	ssue) and have b	en adjusted to ref	ering tie t
ı	Treas 90c 199422 9713	-2 1,800 W/17 H/17		Trans 1212 pc 2003-0	M 117% .	-4 2.200 My21 My21		of RPI to 100 in J	January 1987, C	onversion factor 3	945 RPI to
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	140c 7996 111.5	-3 778 Jy22 Ja22		812 pc 2007 #1		3 1.897 Je16 Je16			Notae Paca É chan		ed fire
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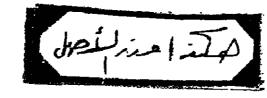
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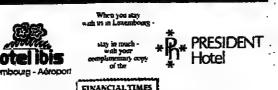
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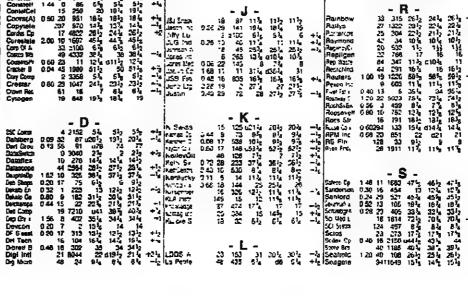
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exception. When the children received their certificates from

her, they were told to bow low

out of respect to the kindergar-

ten. After several speeches, the

event ended with a tear-jerker of a song called "Thank you, sayonara," followed by photo-

graphs and a huge party.

I wondered why so much energy is lavished on a cere-

mony for such young children, especially as it is repeated at

the ages of 13, 16, 18 and 22,

Partly, it seems to reflect the

respect given to teachers in

Japan. In traditional Japanese

custom, a debt to a teacher is

one which can never be repaid

Also, these ceremonies are a

measure of the significance of

the peer-group. In adult life, people tend to be promoted by

age. They regard peers as

equals and look up to elders,

When asked their age, children

will frequently reply by giving their school-year. Executives

often describe their seniority

by reference to when they entered the company. While

such principles might seem

overly conservative to western-

ers, many Japanese believe

they contribute greatly to

Watching my daughter leave

the kindergarten for the last

time, I considered how differ-

ent the experience had been

from the stereotype of Japa-

nese education. A common

western view is that Japanese

schooling is an examination

hell in which children are

forced to rote-learn and spend

their evenings at cram school.

They achieve high grades in international comparative

tests, but at the price of their

There is truth in this view -

but it applies mostly to teenag-

ers. Japanese kindergarten is a golden age in which children receive no formal instruction

in Japanese language or arith-

metic and are encouraged to

play and run about. Japanese

parents mostly like it that way,

aware of the pressures which lie only just beyond the kinder-

garten gates. Little wonder

they cry on graduation day.

social order.

childhoods.

MONDAY INTERVIEW

Enemy of restrictive practices

Sir Gordon Borrie, director-general of fair trading, talks to Geoffrey Owen

Iven the choice, I prefer to take a com-plaint to Brussels, where the response is swift and vigorous, than to the Office of Fair Trading." This comment from a Lon-

don-based competition lawyer highlights an anomaly. The present Conservative government in Britain, which believes in competition, has been curiously passive in dealing with what is probably the most widespread anti-competitive practice - price-fixing. No action has been taken on the 1989 white paper which proposed stronger powers for the director-general of fair trading. Last week's Tory manifesto promises new legislation on the subject; it cannot come soon enough for the competition authorities.

We have been much frustrated by the inadequacy of our investigatory powers. says Sir Gordon Borrie, who hands over as director-general to Sir Bryan Carsberg in June. "I also believe the deterrent powers are inadequate because the sanctions are both remote and modest when they apply."

A Court of Appeal judgment worse. It ruled that a company was not responsible for the price-fixing activities of a senior employee when it had issued a prohibition to its staff and had adequate monitoring arrangements in place. Sir Gordon is urging victims of cartels, when they are uncovered, to sue for the losses they have suffered. "Some well-publicised successes would be a useful deterrent," he says. But his influence is limited.

Restrictive practices are not the only area where he would like to see competition policy tightened. On mergers, he points out, the present system is benign. "The Monopolies and Mergers Commission has to have very strong evidence that a merger will operate in an anti-competitive way before coming to an adverse finding. Sir Gordon suggests a small but important shift in the burden of proof, so that the commission would block potentially anti-competitive mergers unless the parties could demonstrate that there were offsetting gains, such as greater effi-

clency or lower costs. Those who think the commission is too soft on mergers will applaud Sir Gordon's plan, At present clearance is normally given to border-line and even some which seem not so border-line, like the merger in the roadside

awyers are innately con-

servative, but will they

generally be voting for

the present administration at

Numerically, it may not mat-

ter. In this country there is

of lawyers that pervades the

public scene in the United States. But British lawyers'

voting habits may reflect the

mood of the professional clas-

ses as they go to the polis on

was barely considered a sepa-

rate subject for debate. The

law faculties of the older uni-

versities were once aptly

described as "encrusted with

But that is very much a

thing of the past. The products

of that age have virtually dis-

appeared from bench and bar.

Today a student can choose to

be trained in law and expect to

be an effective voice for human

Even though the law graduate today is imbued with the

idea of public service, never-

theless the practising profes-

sion derives its profitability

from commercial clients. It is

doubtful whether or not law-

vers take their "ethics, eco-

nomics and political ideas from

the banker". Certainly, how-

ever, there is a tendency for

lawyers practising exclusively

for City merchants to take on

the political leanings of their

heavy-footed traditionalists".

Historically, the training of

the general election?

catering business between Happy Eater and Little Chef, cleared in 1987 as part of a deal between Trusthouse Forte and Hanson. (Sir Gordon found this verdict "a little surprising".)

The opposite criticism is that merger policy creates costly uncertainty for businessmen while doing very little to promote competition Sir Gordon strongly disagrees. If merger control did not exist, "you could only deal with monopolistic situations after they had been created".

He points to gas and telecom munications. Because they were privatised as monopolies they have to be controlled by price regulation, which is a "poor substitute" for competition. The Kingfisher/Dixons morger proposal, referred to the Monopolies and Mergers Commission and turned down in 1990, illustrates his point. If there had been no merger control and the deal had gone through, "you would have got a substantial monopoly situation in DIY retailing, especially in out-of-town centres; where would be the protection for customers from monopolistic

As for complaints about unpredictability. Sir Gordon thinks the commission has made good progress towards greater consistency; it seeks to explain its decisions by reference to principles established in earlier reports.

He agrees that there could be room for more specific use of precedents and this has begun to happen. But "certainty can be bought at too high a price". Rigid rules about, for example maximum permissible market shares could lead to perverse judgments. At the reference stage, too, he thinks the secretary of state needs to have some discretion to respond to developments - like the Kuwait Investment Office's shareholding in British Petroleum - for which there are no

Why not limit the discretion to cases where public interest considerations other than competition are at stake? Sir Gordon agrees it would be logical, mergers where competition is the only issue, to leave the reference decision to the director-general. (He already has Jurisdiction over monopoly references, where whole industries are referred to the MMC.) in making his recommenda-

tion on merger references, the director-general takes advice from officials in the relevant government departments. For the DTI then to second-guess



'The deterrent powers are inadequate'

him seems pointless. "Several secretaries of state have suggested that they don't really want that role."

Sir Gordon's most serious worries about political interference in merger control centre not on the British system, but on the European Community which is why he has suggested the creation of an independent European body like the MMC. His concern is that, "under the present sys-

PERSONAL FILE

1931 Born in Croydon, Edu-cated at Manchester University, 1962 Called to the Bar.

1957 Lecturer at the College of Law in London. 1964 University of Birming-

ham, becoming Professor of English Law. 1976 Director-general of fair trading. 1982 Knighted.

1986 Appointed Queen's

Counsel.

tem of governance it may be difficult to keep political considerations out of cases that ought to be determined on competition grounds"

He was relieved that the commission came to what he regarded as the right decision in the recent commuter aircraft case. He places much reliance on the fact that the commissioner in charge of the policy, "whose word normally goes", is Sir Leon Brittan, a strong advocate of competition.

The UK's competition rules, of course, are far from perfect. The ideal sequence of reform. in his view, would be a radical improvement in the laws relating to restrictive practices along the lines of Article 85 of the Treaty of Rome, with a further addition to alter last year's Court of Appeal ruling. Then, he suggests, "although this has not been clearly

worked out by myself or anyone else, we would need to look at the law relating to monopolies and competition, and perhaps see whether Article 86 would be a suitable model". He would like to retain

under EC legislation.

Meanwhile the uncertainties of the present law will continue, including the possibility that a new government might use the wide-ranging Section 84 of the Fair Trading Act to refer mergers that have nothing to do with competition mergers that might be inimical to regional growth in Scotland or something of that

the power to initiate inquiries

by the MMC into whole indus-

tries, which is not available

sort". That, says Sir Gordon, is for the politicians to decide. As for the machinery of competition policy, he is not impressed with the argument, endorsed recently by the Com-mons Trade and Industry Committee, for combining the MMC and the competition side of the OFT in one organisation. He accepts that the case for such a combination is somewhat stronger on mergers alone; the Cartel Office in Germany handles both the preliminary

inquiries into mergers and the full investigations, and there would be advantages in the pooling of knowledge. But ransferring the whole of the OFT's competition work is quite another matter. For one thing, the organisa-tion of the MMC, with its reliance on part-time members, is

quite inappropriate for the large administrative and negotiating load which falls to the OFT. Apart from the gains from combining competition one roof, he thinks it is useful to have someone at the head of the OFT who can play a more partisan role in promoting competition than would be No longer a natural alliance

Restrictive Practices Court of the Monopolies Commission.

As for relations with the new regulatory agencies, "in retro-spect one could have drawn the lines in somewhat different places". In one privatised industry, buses, he has sometimes wished that there had been an "Ofbus", to relieve the OFT of the burden of post-privatisation regulatory activity.

He thinks, but perhaps not before the end of the century, price competition in gas and telecommunications may have reached the point where the need for specialised regulation could disappear. At the same time there could be a case for bringing together whatever regulatory agencies were still seded on a long-term basis.

But all this is a long way off. "I am not keen on institutional changes, especially if politicians see them as a substitute for something more important." he savs.

The golden age of Japanese youth

arch, the season of plum-blossom in L Tokvo, is also eraduation time for thousands of young Japanese and their par-

The academic year ends with a flourish of ceremonies marking the five great divides of Japanese education - from kindergarten to junior school, from junior school to middle school, from middle school to high school, from high school university to adult life.

Each is endowed with a sym polic importance matched in Britain only by the cloak and mortar-board ritual of the university. My six-year-old daugh-ter, Sabina's, graduation from our neighbourhood kindergarten was no exception.

My wife and I knew this

would be no ordinary day. Weeks in advance she was told the other mothers would all wear formal clothes but that since you're a foreigner, please wear something bright and cheerful". A few days later she was told: "Tell your husband to wear a suit and tie. And we've chosen him to make

The great day came last Friday. We dressed in accordance with instructions and made sure we were on time. Almost all the other parents wore shades of navy blue and grey, with pearls and video-recorders very much in evidence. The kindergarten has an

musual history. It was established earlier this century by a philosophy teacher who read the Bible and other western works and selected the passages he thought most appropriate for Japan. Applying the same utilitarian eclecticism with which other Japanese scoured scientific manuals and patent records, the founder created his own church.

The church and the kindergarten almost fell victim to the Japanese land boom of the 1980s. Their landlord wanted to reclaim the site in the middle of Tokyo, which the congregation has occupied for decades. and started legal proceedings. With Solomon-like logic, the lawyers decided the landlord

LETTER FROM

Tokyo

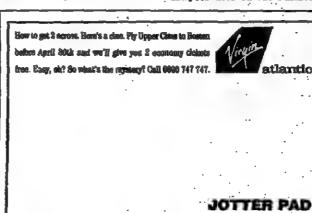
could have the use of only half the land. Moreover, the landlord was instructed to pay a substantial sum to the tenants in return for their giving up rights to the other half of the plot. With the proceeds, the congregation built a new kindergarten and a chapel.

The graduation took place in the chapel. Despite being bent double by her advanced age, the headmistress presided over the ceremony with great spirit. Almost as soon as she began speaking of the trials and tribulations the six-year-olds would face in life, mothers started sobbing. They were quickly joined by the teachers. Contrary to western opinion, Japanese are very emotional. They are simply brought up to avoid being emotional in the wrong places - such as the office or factory floor.

The headmistress believes the problems of modern Japan. especially political corruption, are all to do with people not being properly educated as children. "All these politicians trying to escape blame for their own wrong-doings. They have no sense of personal responsibility," she says. Her pet hate is the Japanese

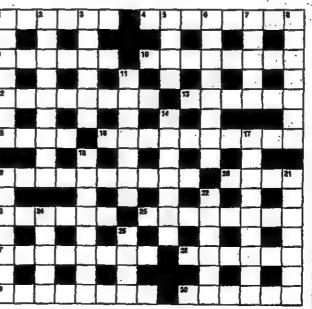
bow. Bowing breaks eye-contact between people. It is also a symbol of inequality, since inferiors are required to bow lower than their social superiors. The headmistress prefers the western-style handshake: every morning she insists the children look her in the eyeand shake her hand. However, she regards the graduation ceremony as so

Stefan Wagstyl



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nothing? (7,3)
19 Having trouble when bathing? (2.3.5)
20 Off it goes to wreak destruction (4)

23 Exceptional talent may be 25 Soundest form of exports (5,3)

27 One way of saying one doesn't like it? (5)

29 Bacon or Lamb, for example

30 Attacks one in the streets

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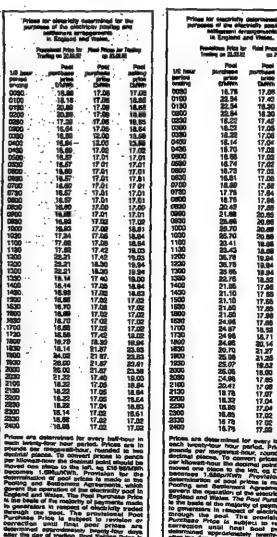
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11 Comfortable seat for a Turk (7) Concentrated on being firmly secured (7) Advertising campaign that should result in more

money (9) 18 Supports and awaits instructions (6.2)
19 Reputation for enjoying

poor health? (3,4) 21 Yet they're often put into bowl (7) 22 Loose draft I put in order (5) 24 Such ages may be tense (5) 26 Short-cuts (4)

The solution to last Saturday's prize puzzle will be published



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But there is more to the practice of law nowadays than

JUSTINIAN

The spread of legal practice into fields that concern not lawyers was geared to the established order: law reform property but human values has created a new brand of lawyer with political attitudes that do not necessarily reflect his or her professional tag. Lawyers have become more a part of the body politic. There is less evidence of the progression from one monastic order to another: prep school to public school to Oxbridge and on to the Tem-

> Still, if heads had been counted, the profession would have been largely putting its X against the Conservative candidate's name - at least until the recent past.

Such a confident prediction would have been misplaced at any time since 1987. The assault upon the restrictive practices of the profession by the Thatcher administration has produced some profound shifts in allegiance. A moment's recounting of the recent history tells all

When the Labour administration of the late 1970s set up the Royal Commission on the legal profession under the chairmanship of Lord Benson,

the profession regarded the move predictably as the left's instinctive dislike of the legal profession and its well-beeled members. It therefore set to, and mounted a massive defence of its status in society and its practices. When the Royal Commission reported. the profession got a virtual clean bill of health. It consequently wallowed in its evident success and proceeded to sit back and rest on its laurels.

The defeat of the Labour government in 1979 simply confirmed the view that all was well, so long as there was no return of a Labour government. And even that was not too nuwelcome a prospect. since there would be little likelihood of a rerun of Benson this side of the 21st century.

Imagine, therefore, the horror with which the proposals of the Lord Chancellor were met after the 1987 election, resulting in the Courts and Legal Services Act 1990. In the course of the parliamentary process, the profession was able to chip away at some of the more radical reforms proposed by Lord MacKay, but the legislation jolted the profession out of its supposed immunity from the

The revulsion expressed at this legislative monstrosity was led by the higher judiciary, with the famous Friday debate in the House of Lords when the Lard Chief Justice spoke vehemently against the proposals, using language illustrative of the most vigorous assault on extreme authoritari-

Although there has been

some retreat from such outright opposition in the last two years, the scars of the battle are still visible. What the profession could not stomach was that all this was being done in the name of the Conservative party. It was not uncommon during the late 1960s to hear senior

members of the profession

vowing that they would aban don their life long allegiance to Toryism. Some would abstain. Others were declared supporters of the Alliance in 1987. It was particularly noticeable that The Independent had increasingly become the daily newspaper fare in place of The Times, reflecting a shift in political attitude. Today it is not possible to predict how lawyers would

vote in an actual poll. Certainly the mould of natural alliance between lawyers and right-of-centre politics (the profession rarely produced anyone on the extreme right) has been While a majority of lawyers

would tend to favour a party which protected individual property rights, they would not all be fearful of a Labour gov ernment. Perhaps that is as much a result of the Labour party moving closer to the centre of politics than of disenchantment with the Conserva-

At least lawyers nowaday: generally opt for the median and that may mean a vote for a candidate from any of the three parties, depending on the parliamentary constituency.

A STATE OF THE STA

Monday March 23 1992

SECTION III

Adding to the anxiety trols and rules, banks and finance companies rushed in to try and satisfy demand for try and satisfy demand for Scandinavia is the

sobering realisation

to be rapid and immediate recovery from the current difficulties. Signs of improvement among the financial institutions are not expected during this year. Robert Taylor investigates

Bitter price of liberation

AFTER the champagne days of the 1980s, the Nordic region's financial system is going through a prolonged hangover, which shows no signs at all of

coming to an end. Leading financial institu-tions in Norway, Finland and Sweden are still being hit hard by soaring bad debts, caused in many cases by the reckless provision of unsecured credit for the speculative activities of r the speculative activities of finance and property compa-

Over the past few weeks, one bank after another has reported the grim conse-quences in the form of falling

profits and huge credit losses. Few have emerged unscathed. Norway's leading banks have been suffering from disastrous deficits for the past three years and it has needed direct sovernment intervention to government intervention to prevent a collapse of the country's banking system. In Sweden, Forsta Sparbanken, the Stockholm-based savings bank, and the state-controlled Nord-

banken, have both required government guarantees for loans to prop them up. In Finland, the savings bank federation, Skopbanken, was only saved from collapse last autumn by being taken over the new competitive climate temporarily by the country's created by the lifting of con-

that there is not going

central bank. Only Denmark has been spared from the pre-valling sense of crisis. What is adding to the anti-sty across much of Scanding-

via is the sobering realisation

that there is not going to be any rapid and immediate

recovery from current difficul-ties. Signs of improvement in

the financial position of the banks and other financial insti-

tutions are not expected during

the course of this year. Even 1993 is already looking

difficult. Some observers are

starting to wonder just how sizeable the credit losses will

eventually be, and what impact they will have on the capital base of the leading banks. The disaster in Norway in 1991

brought total accumulated losses for the financial institu-

tions of NKr19.8bn. In a num-

ber of cases the losses were higher than the equity capital. Bankers in Stockholm say

that Sweden is not going to experience what Norway is

going through but they may yet be proven over-optimistic.

The whole of the Nordic

region is paying a bitter price for the liberating impact of financial deregulation that first began in the mid 1960s. In

"Handling credit is like handling explosives", explains Mr Jacob Palmstierna, vice-chairman of Sweden's Nordbanken. "If you don't know how to handle it, in time it explodes". The supervisory authorities, as well as the Nordic governments and central banks,

underestimated the turmoil that deregulation would bring to the financial system. "We saw the gains without seeing the pain which could be instrument in the could be instrument in the could be instrument." the pain which could be incurred in the pursuit of efficiency," admits Mr Bengt Dendis, the governor of Sweden's central bank.

The impact of the credit losses is coming in three waves, Mr Palmstlerna points out. First, it is hitting the real estate and finance companies. Next had debts are heiny

loans, and competed against

each other for corporate and

personal customers, with little regard for proof of credit

Next, bad debts are being incurred by industrial enterprises, particularly among small and medium-sized firms. small and measure-sized rings, Finally, private individuals will start to default. So far, this dismal process has only reached the first phase.

The regulatory authorities, governments and central banks are looking at how to

It will not be easy for the banks and other financial metitutions to go back to basics, drop their pan-Nordic visions and consolidate their activities, when the pace of external change shows no signs of easing. Indeed, further deregula-tion is going to force the Nor-dic financial world to become

ever more competitive.
"The doors have been almost completely opened to interna-tional competition, and yet the spirit of a tightly-controlled, closed economy still pervades the economic and financial system", argues Mr Tuoman Sukselainen at the Finnish Bank-er's Association. The traditional commercial

bank is being transformed into a multi-faceted financial ser-vices institution. The market is demanding that banks must provide every kind of financial service to corporate and house-hold customers alike. As a result, there will more freedom



of choice in the Nordic finanor choice in the North man-cial sector during the 1990s.
Moreover, as Mr Dennis told a banking conference in Kuala Lumpur last month, the num-ber of non-bank financial firms coming into the market, often coming into the market, often banks in all but name, is growing. "The expanding menu of bank services is pushing more and more of the banks' risk exposure off the balance sheet," he warned.

The globalisation of financial markets is slee come to buten.

markets is also going to inten-sify the pressures on the banks

in the Nordic region. Removing foreign exchange controls and other restrictions has made the economies of the Nordic countries much more vulnerable to short-term capital fluctuations. The Nordic currencles have been pegged to the European Currency Unit and this has been backed by tough fiscal policies by the governments of the region.

Devaluation and demand management are no longer accepted as instruments of eco-

ther external pressures. On January 1, 1993, the European Community's single market comes into effect and with it the free movement of capital as part of the 19-nation European Economic Area (EEA). The extension to the Nordic area of the EC's second bankstimulate more competition. A single banking licence will entitle any financial institution to operate in the EEA market based only on the authorisa-tion of its home country.

centage points shortly after the markka devaluation. This

helped to restore overseas con-

fidence and stem a dangerous

outflow of capital from Swe-den, but it also underlined the

fragility of the more open financial system within which

the Nordic countries must operate, "We live in a tightly integrated global financial vil-lage", explains Mr Dennis. Nordic financial institutions

have little time to adapt to fur-

Supervision of the activities of financial institutions, of financial institutions, including day-to-day activities, as well as financial solvency, will take place where it is incorporated and not where it operates. The principle of mutual recognition will also be applied so the respective host countries, authorities will countries' authorities will recognise each other's author-

isation and supervision.

The second development that will certainly make an impact on the Nordic region by the end of this year is the implementation of the banking capital adequacy requirements of the Basle-based International Banking Settlement. Only in Norway does there seem likely to be any difficulty

in meeting this stipulation. But beyond those pressures lies the wider and murky issue of European economic and

monetary union.

All the Nordic countries (even divided Norway) are intent on joining the EC by 1995 but so far the debate when the monetary integration. about monetary integration has hardly gone further than

the preliminary stage.

However, enough has happened over the past year in the Nordic banking and investment scene to suggest there will be no return either to the heady atmosphere of the late 1980s or the semi-isolation that lasted for nearly half a cenIN THIS SURVEY

□ Sweden: Nordbanken the loss-making state-controited bank, has had a turbulent 12 months, says vice-chairman Jacob Palmstierna Swedbank will unity the

country's larger and medium-sized savings banks in one organisation. The conglomeration will have assets of SKr504bn Page 2 🕽 Finland: A link-up between the co-operative and savings banks could provide the opportunity for much-needed rationalisation in an overbanked

market Page 3 Denmerk: The country's banking and other financial institutions are in a less worrying state than those in the other Nordic

Norway: Beleaguered banks, disfigured by successive record annual losses, are glad to see the back of last year. But 1992 holds little promise for any big Improvement Page 5 iceland: The country has embarked on an intense period of deregulation as it prepares to converge with the EC's single integrated market Page 6

□ Nordic Investment Beak: The NIB can perform a

uzeful role as a po-between for the Baltic coun-

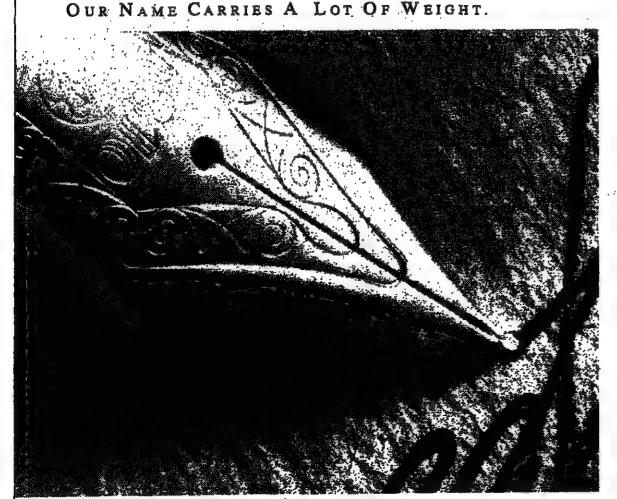
☐ Editorial production: Phil Sanders

be a confusing mixture of con-solidation and competition.

be renowned for their belief in moderation, consensus and sta-bility but recent banking problems suggest they have lost their sense of balance.

What is needed more than ever is the revival of older virtues. They provide the best guide for the Nordic countries as they seek to adapt to the arbitrariness of the open global

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November, but this move was regarded, even by supporters,

as a final, one-off measure, necessitated by uniquely diffi-cult conditions. These resulted

from the collapse of Finnish trade with Russia, coinciding as it did with a trough in the

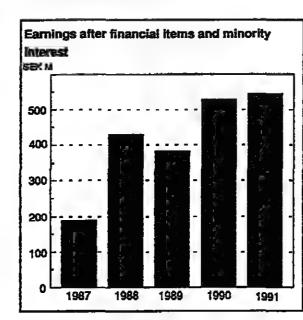
paper and pulp industry cycle.

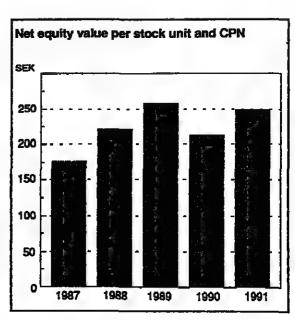
A more teiling sign of the
new times in the region was
the Swedish central bank's draconian decision to raise lend-

ing rates to the banks by 8 per

Accounts Report for the 1991 financial year

- Group earnings after financial items and minority interest but before profits on sales of stocks and CPN interest amounted to SEK 545M (528). PLM improved its earnings after financial items by SEK 100M to SEK 494M. Earnings in Dacke amounted to SEK 51M (64) and in Indutrade to SEK 15M (56).
- Profits on sales of listed stocks amounted to SEK 277M (322). Calculated after sales of listed stocks but before CPN interest and extraordinary items earnings were SEK 822M (851).
- The value of the listed stock portfolio amounted to SEK 7,374M (7,002). Adjusted for acquisitions and sales, the portfolio value remained unchanged. The general index increased by 5 percent.
- The dividend income from the listed stock portfolio increased by 11 percent to 209M (188).
- The net equity value at the year-end was calculated at SEK 249 (212) per stock unit
- The Board of Directors proposes that the dividend be raised by 11 percent to SEK 8.00 per stock unit. CPN interest will thereby be SEK 9.20 per CPN.
- At the turn of year, Fundament's real estate holding was valued at SEK 1,300M, a downward valuation of 19 percent compared with the previous turn of year. Earnings after financial items amounted to SEK 28M (10).
- There is currently no need for the convertible loan announced in connection with the bid for Investment AB Bahco.





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NORDBANKEN, Sweden's

loss-making state-controlled

bank, has been more badly hit

over the past year by credit losses than any of its main

competitors and it is unlikely

it will make a full recovery

Sweden's centre-right gov-

bank's leadership will need to

of 17 per cent after standard

tax" and ensure a capital ade-

installed at Nordbanken in

January 1991 when the then

Social Democratic minority

government appointed the dep-uty chief executive at Skandia

insurance company, Mr Hans

MR Bo Ramfors has the look of a man

who would like to put the recent past well behind him and push on fast. The

two years that he has spent at the helm

of Skandinaviska Enskilda Banken

Sweden's largest commercial bank. have been particularly trying.

He has been thwarted in his plan to create a giant Swedish banking and

insurance group by merging with Skandia, the Swedish insurance group.

At the same time, he has witnessed a

dramatic increase in the bank's credit

losses as the Swedish economy has

plunged into rece

plunged into recession.

To cap it all, S-E Banken had its long-term debt rating lowered from AA to AA- by Standard & Poor's in Febru-

ary 1992, reflecting concern over the bank's deteriorating asset quality. The Skandia affair, played out over

several months, has been a serious set-back for the bank and has cost it dearly. Back in October 1990, S-E

Banken paid SKr4.7bn for an option on

28.2 per cent of the shares in Skandia.

acquired from three companies: Inves-

tor and Providentia (the Walienberg

family investment companies which

were in need of funds at the time) and

Marieberg, the publishing group. S-E Banken, which is linked with the

Wallenbergs, wanted to form a large

banking and insurance group. Mr Ram-fors, S-E Banken group chief executive, says: "If S-E Banken and Skandia had

merged, together we would have had

about 25 per cent of the Swedish savings market" including bank

accounts, collective funds and life

insurance, and managing assets of

The current leadership was

a difficult year.

European Finance and Investment: Nordic Countries 2

☐ SWEDEN: Nordbanken is beset with bad debts

Deep-rooted troubles

until 1994 at the earliest. "We the revelation that it expected have had a turbulent 12 to suffer SKr3bn of credit losses in 1990. In fact, the months, admits Mr Jacob osses turned out to be much Palmstierna, vice-chairman. In 1990 the bank's bad debts higher at SKr4.2bn and soared to about SKr10bn and ensured a sharp fall in the bank's profits for that year to a Nordbanken believes they will "continue abnormally high" in mere SKrlm - down from 1992 and that 1993 will also be SKr3.2bn in 1989.

The Dalborg-Wahlstrom regime appeared to make an impressive start in the early ernment would like to privatise the state's 70.6 per cent part of 1991. A cost-saving programme was launched and jobs stake in Nordbanken but the were cut through a rationalisa tion of the bank's structure. resolve its troubles before such a move seems possible. Nordbanken's overall finan-An intensive care unit was created to recover outstanding loans. And in a move decided cial target is to maintain over to show just how seriously the one business cycle "a return on adjusted shareholders' equity bank was taking its difficulties, it was decided not to pay a

Dalborg, as chief executive

with Mr Bjorn Wahlstrom, head of Svensk Stal AB, the

state-owned steel company, as

The dramatic changes at the

top of Nordbanken followed

As a result, during the first four months, Nordbanken saw its operating profits climb by 59 per cent to SKr471m. But this proved to be a false dawn Indeed, the bank was already warning at that stage about the remorseless rise in its

credit losses which it said could reach SKr3.6bn for the whole of 1991.

dicted that credit losses for the year as a whole would amount to SKr9.5bn. This was the larg-The magnitude of the troubles was highlighted last August with a crisis at Nobel

Industries, the chemicals and defence group. Nordbanken intervened to save Nobel and agreed to inject SKr2bn of equi-- and 13 other banks also chipped in with SKr2.7bn in preference capital. But last month Nobel's board said it was seeking repayments of SKr1 92bn - made to help the bank consortium in its rescure operation - and Nobel's owner claimed SKr3 8bn in damages from the banks over the affair. Last autumn, the Nobel cri-

sis took its toll at Nordbanken. At the end of September it reported a SKr4.6bn deficit in its first eight-month financial regults with credit losses soaring to SKr8bn. It became the first Swedish commercial bank to go into deficit and it pre-

est in the country's banking history and amounted to 3.5 per cent of total lending vol-ume. The bank also said it had SKr15bn worth of non-performing loans on its books for credits granted between 1988 and 1990 to finance, property and investment companies.

agreed last October to help out the bank by subscribing and guaranteeing SKr5.2bn in a new share issue at SKr20 per share, enabling it to meet the 8 per cent capital adequacy currement made by the Bank requirement made by the Bank of International Settlements for the end of this year. The troubles at Nordbanken

The Swedish government

have proved to be much more deep-rooted than at first realised; a painful legacy from the period of frenetic competition for customers that followed Sweden's deregulation in the

The bank itself was only formed in June 1990 as a merger between state-conyear's new share offer it emphasised a number of its trolled PKbanken and its smaller provincial competitor Nordbanken. This followed a underlying strengths. The bank argued that it was now period of aggressive expansion following a restrictive credit policy; that its earnings capacby PKbanken as it tried to boost its profitability by widen-ing its business beyond its traity was good and stable before ditional base of small savers credit losses; and that its costand lending to local govern-ment authorities to cover real cutting measures had estate and high finance. PKbanken harboured dreams of competing alongside SE Banken and Svenska Handels-

be excessive.
"With hindsight you can say the bank grew too rapidly", says Mr Palmstierna. He also believes that while PKhanken's SKr6bn purchase of Nordban-ken was "structurally and strategically correct, the price was

banken for business volumes, but its credit growth proved to

Palmetierna. Despite its current travails, Nordbanken believes it can reach its financial targets by 1994. In its prospectus for last

Nordbanken does have a unique distribution network with not only 230 branch

offices in Sweden but also the use of 2,000 post offices in co-operation with Swedish Post. "As many as 4m Swedes are our customers", says Mr

The bank also believes that the fact that the state is majority owner will affect favourably the creditworthiness of the

But there are also a number of imponderables that cast a shadow over Nordbanken. Not least is the duration of Sweden's current recession and the impact this is having on the bank's customers. Despite the general sense of crisis in Swedish banking at the moment, it is also possible that the bank may lose its present dominant position in the country's large public sector as its rivals compete for business in a more bracing financial climate.

What Nordbanken really needs is three years of quiet consolidation and back to basics like so many other banks in the Nordic region. But the hang-over period could well last longer at Nordbanken than perhaps with the others.

The balloon that was blown up during the carnival years of the 1980s has burst", declared Mr Dalborg, the bank's chairman, last autumn when announcing the bank's unexpectedly large deficit for the first eight months of 1991. It looks like taking plenty more blood, sweat and tears to restore its credibility. However at least we will know when Nordbanken has returned to good health: that will be the moment when the Swedish state decides to privatise it.

Robert Taylor

□ New savings bank established

Serious competitor

THE finishing touches are being put to a new bank which is set to become the largest in the Nordic region when it opens its doors for business at

the beginning of next year.

To be called provisionally Sparbanken Sverige AB, but known as Swedbank abroad, it will unify the country's larger and medium-sized savings banks in one organisation. The conglomerate will have assets totalling SKr540bn, at least 3m customers and will employ 14,000 staff in 785 offices. The new enterprise will account for as much as 90 per cent of Sweden's savings bank business.

It will become a joint stock company and Mr Goran Collert, who will be head of the bank and is now president and chief executive at Swedbank, hopes that it will be listed on the Stockholm bourse, perhaps by the end of next year at the

"We are going to be a strong player as a full service bank in Sweden", says Mr Robert Sten-ram, head of the London branch of Swedbank and executive vice-president. He points out that Swedbank aiready accounts for 34 per cent of the mutual funds business in Sweden, 30 per cent of long-term mortgage financing, 20 per cent of foreign exchange trading and half the Swedish market in

domestic credit cards. The emerging giant should at least bring some semblance

of order to the confused and fragmented Swedish savings bank scene by bringing together all 10 regional savings banks who account for three quarters of Sweden's savings bank activities, Sparbankerna's bank and the ailing Forsta Sparbank. However, about 90 other small local savings banks will continue to operate out-side the new body although they will have working agree-

The catalyst for change in Sweden's savings banks has mainly come from the huge rise in credit losses due to bad real estate and stock loans sufred by a growing number of the banks

This was highlighted most dramatically last October when Sweden's new centre-right coalition government was forced to bail out the Stockholm-based Forsta Sparbanken by giving it an unconditional guarantee for a SKr3.8bn loan from Sparbanken's gruppen AB, the federation of regional savings banks. Forsta Spar-bank had revealed it made a pre-tax loss of SKr3.1bn for its first eight months of the year and the bank estimated its fullyear loss would be about SKribn. Its loan losses had climbed to an astronomical SKr4.5bn, 10 per cent of its outstanding losms, while the bank said it had doubled its losm portfolio between 1987 and 1990

to nearly SKr45bn outstanding.

Street and the street of the street.

Last autumn's disaster at Forsta Sparbanken has helped to create an understandable sense of crisis and forced Sweden's savings banks to recognise that if they want to sur vive and prosper they need to accept closer integration to deal with the problems of financial viability, shortage of capital and a possible lack of confidence in them by their

In fact, Sparbankerna's bank boosted profits by 21 per cent last year to SKrL03bn despite credit losses of SKr1.11bn.

The coming merger is cartainly an obvious way of ensuring a better utilisation of resources for all the savings banks involved. It has been estimated there could be sevings of up to SKr2bn a year as a result of rationalising the savings bank sector. Economies of scale - it is being argued - could also help to improve the range and quality of services on offer and strengthen the bank's international activities.

One point, however, that the new bank's customers will be glad to hear is that it promises to be prudent and concentrate on basic services. The days of pan-Nordic dreams are over even for an organisation that looks like becoming a serious competitor for Sweden's existing commercial banks.

Robert Taylor

☐ PROFILE: S-E BANKEN

Trying times

SKr500bn-600bn. His aim was to sell life and non-life insurance products to

a wider customer base through the bank's large branch network. Skandia – which has already estabitshed a series of cross-holdings and co-operation agreements with insur-ance companies in the Nordic region as part of its plan to establish a pan-Nor-dic insurance group — said it could see no overall benefits for its shareholders in linking up with S-E Banken.

Although Skandia admits there are advantages to selling life insurance products through a bank network, it had reservations about what would happen to its non-life insurance business as a result of the merger. "We don't have proof that selling non-life (insurance) through a bank is a success", says Mr Johan Bergenstjerna, head of Skandia's corporate office.

So S-E Banken was snubbed in its wooing of Skandia, and was forced to sell most of its share option — at a los of SKr415m - to Hafnia, the Danish insurance company, and Uni Storebrand, the Norwegian insurer, keeping only 4.9 per cent itself.

Mr Ramfors says now that despite the cost of SKr415m he has

Mr Gerard de Geer, who was chair-man of Enskilda Securities in Sweden and Banque Scandinave in Geneva, and who was involved in the Skandia deal ember of the bank's executive committee, decided to leave S-E Banken. Part of the reason, bank sources indicate, was that he was disappointed because the bank did not push harder to merge with Skandia. He was also understood to be disappointed that plans to fully merge Enskilda and Banque Scandinave were eventually abandoned for tax and legal reasons ed for tax and legal reasons. S-E Banken is now building up its own

insurance operations.

While the problems over Skandia are unique to S-E Banken, the other blow it has suffered - its huge credit losses - are familiar to many other Swedish banks, and result from the combination of a deregulated banking environment, the economic downturn, and in some cases, rather lax credit controls.

For years, Sweden's banks suffered restrictions on their lending, pricing, foreign exchange and foreign payments. Then, during the 1980s, Sweden's financial markets were deregulated and the commercial banks enjoyed a surge in profits. "Suddenly, overnight, we could lend as much

money as we wanted," says Mr Ram-

The economy boomed and property and stock prices surged, helped by easy credit. However, now that property prices have collapsed, many of the Swedish banks are regretting their over-exposure to the real estate sector. With the benefit of hindsight, the banks should have been more careful, they should have realised they were too exposed to property," says one banking analyst.

S-E Banken had to make loan-loss provisions of SKr4.76bn in 1991, com-pared with SKr1.95bn in 1990. These included a SKr352m loan-loss provision for finance company Gamlestaden, and combined loan-loss provisions of SKrl.1bn for Avena and Reinhold, two troubled real estate groups. These three companies account for about 30 per cent of S-E Banken's loan-loss provisions. Small and medium-sized companies account for about 60 per cent.

As a result of these credit losses, S-E

Banken's operating profit fell by 30 per cent to SKr2.33bn last year, from SKr3.31bn in 1990. Yet the bank's profit before provisions actually increased by 30 per cent from SKr5.46bn to SKr7.09bn in 1991, helped by cost-cutting measures and increas-ing net interest margins.

Operating profit should continue to rise this year but Mr Ramfors expects

further fall-out from the property sec-tor. In other words, the outlook for 1992 rensains gloomy.

Sara Webb

METSA-SERUA the CMC busines

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DIRECT INVESTMENT

WHAT BUSINESSMEN THINK ABOUT DENMARK

Business opinion about Denmark is changing. In 1991, the nation again improved its standing on the **Business Confidence Scoreboard of** The World Competitiveness Report, climbing from 6th to 5th place. At the same time, it maintained an 8th place ranking on the Report's World Competitiveness Scoreboard. Business confidence in the nation's future and in Denmark's ability to compete internationally is based on solid economic evidence-and geography.

A strong economy Consider the economic picture. Denmark now has:

The lowest inflation rate in Europe: less than 3% ☐ A substantial and growing surplus in its balance of trade:

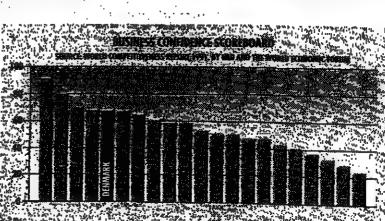
more than 6% of GDP ☐ Wage increases significantly below those of other European countries

A strong, stable currency tied to the EMS One of the lowest effective corporate tax rates in Europe

☐ A reassuring economic outlook. For 1992, the Ministry of Economic Affairs projects: a 2% improvement in competitiveness, a 6% increase in industrial exports and growth of 2.5-3% in GDP

A central location

Denmark is also strategically located. As a member of the European Community, it has access to the 340 million consumers in the Single Market; and as a Scandinavian nation, it serves as a bridge to the non-EC-but very affluent-Nordic

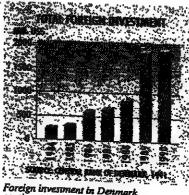




rk provides access to the EC.

countries. There are also strong commercial links between Denmark and the new market economies of Eastern Europe, including the Baltic states.

Foreign-owned companies established in Denmark can take advantage of these ties thanks to a well-developed infrastructure geared to international distribution. Indeed, some 2,000 firms are doing so right now, and the pace of direct foreign investment has increased markedly in recent years.



Businessmen are thinking about Denmark and perhaps you should, too. For more information please contact the Ministry of Foreign Affairs or the Danish Embassy or Consulate General in your



Ministry of Foreign Affairs, Investment Secretariat, 2 Asiatisk Plads, DK-1448 Copenhagen K, Tel. +45 33 92 00 00, Fax +45 31 54 05 33

European Finance and Investment: Nordic Countries 3

MR Christopher Wegelius is famous on two fronts in Figland: as a world-class eques-trian and as head of Skopbank, the clearing bank for Finland's

savings banks. While Finns talk proudly of the show jumping prizes which he won, it is in banking that he came a cropper after Skopbank foundered in the worst bank-ing disaster in Finland's postwar history.

Mr Wegelius rose from man-aging director to the position of chief general manager and chairman of the board at Skopbank in 1990. The bank already had a reputation for its aggressive buying and selling of its minority shareholdings in Finnish companies. However, Skopbank's luck ran out with its exposure to Tampella, a loss-making forestry group which the bank had hoped to

return to profit. Skopbank was hit by losses on its share portfolio, and the Bank of Finland was forced to step in and supervise a FM1.8bn injection of capital by the savings banks to cover Skopbank's potential losses in November 1990.

"In the end, that wasn't enough and the situation grew worse" admits a Bank of Fin-land official. Skopbank faced an acute liquidity crisis as its interbank lines were cut. In September 1991, the Bank of Finland took control in an attempt to limit the damage to Finland's reputation in the international financial mar-

Opportunity for much-needed reforms

kets. "The central bank simply had to take over Skopbank - it Today, the Bank of Finland is the majority shareholder of Skopbank with 52.9 per cent of was worried about how Skopbank's collapse might affect Finnish borrowers in the interthe share capital and 63.6 per cent of the voting power. Finnational capital markets," says Mr Jyrki Laakso, head of the land's savings banks, who between them used to control international department at 78.6 per cent of the share capithe Finnish Bankers' Associatal and 91.7 per cent of the votes, have had their total

holding reduced to 37.1 per cent of the share capital and very serious funding problem it could have spread to affect the whole of the Finnish bank-ing system," says Mr Kaarlo Jāmāri, the new chairman and 33.4 per cent of the votes. The remaining shares (for-merly corresponding to 21.4 per cent of the capital and 8.3 per cent of the votes, but now repchief executive officer at Skopbank where he is on "temporary leave" from the Bank of Finland. resenting 10.1 per cent of the capital and 3 per cent of the votes) are publicly owned. The Bank of Finland is keen

Mr Jannari was head of the Bank of Finland's financial markets department, monitorto find a new owner for Skopbank since the country's cen-tral bank can no longer be seen as wholly neutral in the money market while it has a controling risk in the banking system, but took over after Mr Wege-lius resigned and the Bank of Finland came to the rescue. The Bank of Finland set up ling stake in a bank.

Skopbank's main attraction is its links with the savings bank network," says one secu-rities analyst. So far, three Skopbank itself; a second, Soli-dium, contains all of Skop-bank's shareholdings and outsuitors have emerged: Union Bank of Finland, Okobank (the co-operative banking group) and Postipankki (the post office bank). The three are expected to submit their bids

☐ PROFILE: UNITAS

three separate holding compa-nies: one owns the shares in

standing loans to Tampella;

and the third, Sponda, contains

Skopbank's largest real estate

"If Skopbank had faced a

New structure could be key to expansion

UNION Bank of Finland's and we feel it is better to sepadecision to reorganise its banking operations and equity holdings under a new parent banking group is seen as a wise move, possibly paving the way for a bold expansion in

REAL PROPERTY OF THE PROPERTY

Robert Tet

Finnish banks may only own up to 10 per cent of an insurance company, although a new law allowing banks to wholly-own insurers is expected to come into force in January 1993. In the meantime, there is nothing to stop a holding com-pany from owning 100 per cent of a bank or insurance com-pany, thus by-pessing the 10 per cent restriction.

The new UBF structure con sists of a parent banking group, called Unitss, with subsidiaries for the commercial banking operations and strate-gic holdings. If Unites changes its status to that of a holding company, as is widely expec-ted, then it would be able to require an insurance group and establish a more broadly-based financial services group without having to wait for the

ownership law to be changed.
Mr Ahti Hrvonen, chairman of the Unitas board of management, says the bank's reorganisation. isation was influenced by developments in Europe, where "the barriers between banking and insurance have

been coming down." He says: "Only a minor part of insurance is interesting to the bank, namely life insur-ance," adding that the group could expand in this area either by close co-operation with an insurance group, or by

owning an insurer.
Mr Hirvonen believes that
the new structure has other advantages, providing a clearer picture of how the different business areas perform under separate management. "It allows clear management and a clear picture of prof-its... traditionally in Finland, banks have held substantial

rate responsibility between the commercial banking side and the long-term strategic hold-

ings," he says.

As prices slumped in the Finnish stock market, Unites had to write down the value of its equity holdings last year: it made a loss of FM70m on the sale of current asset equity holdings while profit on the sale of investment assets was FM38.5m compared with FM101.5m the previous year.
On the banking side, too,
United is facing difficult times. Last year, the Unitas group made a loss of FM128m before extraordinary items, appropri-

Like other Finnish banks, Unites blames its poor performance on the recession and the low interest margins

ations and taxes, compared with a profit of FM 480m in

Like other Finnish banks, Unites blames its poor performance on the recession and the low interest margins fol-lowing the deregulation of Fin-land's financial markets. Small- and medium-sized busi-nesses in particular have been hadly hit by the recession and many are no longer assured of a market in the Soviet Union following its disintegration.

"Soviet trade was very important for us as Finland exchanged consumer goods for Soviet oil. Finnish textile and clothing companies were par-ticularly badly affected by the fall in Soviet demand for goods," says Mr Hirvonen. Meanwhile, the recession has taken its toll on companies in the property, construction and onsumer goods sectors.
Group credit write-offs

jumped 44 per cent in 1991 to FM1.092bn. Net interest

income has fallen by FM252m to FM2.321bn because of low interest margins and the growth in non-performing loans, which amounted to FM5.718bn at the end of 1991.

One of the most frequent complaints among Finnish bankers is the fact that the bulk of their longer-term credits (particularly mortgages) are tied to the Finnish base rate while their funding costs are dictated by the more volstile money market rates. Money market rates rose sharply in the first part and autumn of 1991 and are much higher than the base rate. Many bankers want the base

> ting rates on loans to be phased out. However, they see little chance of this happening sines the Parliamentary Supervisory Board of the Bank of Finland, which makes decisions on interest rate policy. consists of politicians who are reluctant to force up mortgage rates and upset the voters. As the majority of new credits tend to be granted at market interest rates, the proportion of loans tied to the base rate is gradually decreasing. For Unitas, 57 per cent of the loan portfolio was still tied to the base rate at the end of 1991. We are not satisfied with

the 1991 results," says Mr Hir-vonen, who retires next year and who will be replaced by Mr Vesa Vainio, currently president and managing direc-tor at the Finnish pulp and paper group Kymmene in which Unitas is a leading shareholder. Mr Hirvonen thinks bankers will have little cause to celebrate this year as loan write-offs will remain high and non-performing loans will continue to increase. "1992 will be difficult, but maybe towards the end of 1992 we can expect some upturn in the business cycle," he says, attempting a smile.

☐ SWEDEN: Financial services regulation

Rigorous checks

THESE are grim days for Sweden's Financial Supervisory Authority, the country's main financial services regulator. With the banking sector groaning under the strain of huge credit losses, the FSA has been forced to introduce more rigorous – and more frequent – checks on Sweden's finan-- checks on Sweden's finan-cial institutions.

Combined credit losses among the banks, finance companies, mortgage institutions and securities houses grew by a staggering SKr30.3bn to SKr46.1bn in 1991. The banks account for the lion's share with SKr35.6bn in credit losses (equivalent to 2.9 per cent of total outstanding loans), compared with SKr10.3bn in 1990 and SKr2.8bn in 1989.

Concern over the scale of the credit losses, mainly in relation to the real estate sector where prices have plummeted, has prompted the FSA to introduce new reporting standards.

Lenders already had to outline details of large loans (those exceeding 10 per cent of their capital base) every six months and provide monthly balance sheet statements. Now, they also have to provide monthly details of their nonperforming loans, defined as loans where there has been no

interest payment for 60 days or a lower-than-agreed interest

payment.
"The reporting of non-performing loans provides the reg-ulators with a better view of the market," says one financial analyst who follows the Swed-ish banking sector.

In cases where real estate is.

used as security for a loan, the lender has to obtain independent professional valuations for the property. With effect from January 1992, these fig-

The feeling remains that many of the banks have been too reckiess in their lending

ures have to be published in the lender's annual report. The FSA points out that by requesting independent valuations for property used as col-lateral, the real estate is less likely to be valued too leniently in today's falling market, although Mr Kjell Arvidsson, head of the FSA's financial markets department, emphasises that none of the banks is in the situation of

Nevertheless, the feeling remains that many of the banks have been too reckless in their lending. "They chased after borrowers irrespective of their creditworthiness as soon as the restrictions on lending were lifted during the second half of the 1980s." says one hanking analyst.
The FSA says banks were

not careful enough with their credit analyses in many cases and did not make sure that the borrower was sound. In addition, some banks discovered subsequently that their back office work was so poor that when problems arose they had no idea whether they were legally in a position to take over property which they had assumed was their collateral. So far, the problems have arisen mainly in the commercial real estate sector, but some bankers are worried that if unemployment continues to rise in Sweden, the incidence of private debt and mortgage

defaults could rise sharply.

The outlook certainly remains gloomy. "As it looks now, there will be big problems, but maybe the market will have to take it," warns Mr

☐ FINLAND: BANKING



and outline their plans in March before serious negotia-

1985 1986 1987

tions begin.
For Union Bank of Finland, which has a strong corporate customer base and a large retail market concentrated mainly in the big cities, co-operation with the savings banks through Skopbank could provide it with a wider regional network. That could prove an advantage if Union Bank of Finland were to link up with an insurance group

- as it is quite likely to do in
future - since it would provide
greater access for selling insurance products outside the main

The co-operative banking isation has traditionally been the sworn enemy of the savings banks outside the main cities. "Out in the coun-tryside, the only banks you see are the savings banks and the co-operative banks as they have the largest regional networks, and that's where they light their trench warfare," says one banker. He adds that while these two banking groups answer for about 60 per cent of Finland's total individual deposits nationwide, in the countryside their share is

closer to 90 per cent. Analysts believe that a link-up between the co-opera-tive and savings banks would provide the opportunity for a much-needed rationalisation in an overbanked - and overstaffed - market. But merging co-operative and savings banks would not be easy, not merely because the two banking

1988 1989 1990 1991 92

groups are so hostile to each other. Legally it is impossible at present to merge the two kinds of banking structures, but that could change soon. A govern-ment committee is currently preparing new legislation which would enable savings and co-operative banks to merge or to convert into com-mercial banks.

Skopbank's other suitor is Postipankki, the state-owned post office bank. While Postipankki has only a few dozen branches nationwide, it has access to a wider market over the post office counters.

Bankers point out that Posti-pankki may be considering whether it would be cheaper to have its own network (in other words the savings banks) than to continue with its post office branch network

1991

overall exposure to Tampella:

Finnish banks are not allowed

to own more than 10 per cent

in a company, but Skopbank succeeded in circumventing those rules by building up its

stake via associated compa-

Bankers are keen to adopt EC banking regulations which would allow a bank to own 100

per cent of a non-financial

company, as long as it does not

Finland it would be quite pru

dent," says Mr Jānnāri. He

argues that when the Finnish

financial markets were deregu-

lated in the mid-1980s, there

should have been a simulta-

neous improvement in the

Finnish banking supervision

and regulatory legislation to fit the new environment, with

Banks have to report large

If this rule was applied in

cent of the bank's capital.

The Skopbank affair erupted at a time when Finland's banks were facing terrible problems as a result of the recession and low interest margins, and the combination of these factors is prompting several changes in the banking sector.

For a start, there are plans

1988

to set up a state deposit guar-antee fund. This would provide back-up to the existing deposit guarantee funds (for the commercial, savings and co-operative banks) which each have between FM200m-460m available to bail out troubled members.

The central bank is keen to set up a new fund so that if a bank fails and uses up the appropriate deposit guarantee fund, the state can step in with the necessary money. The idea is that eventually the relevant group of banks would have to pay back the money to the

When it comes to exposure, bankers hope that risks will be reduced in future. The Bank of Finland criticises the previous Skopbank management for having a strategy which was "too risk-prone and specula-

Skopbank's problem was its

exposures twice a year, rather

 Non-performing loans must be reported monthly, whereas banks did not have to report these at all before.

A non-performing loan is defined as one where there has been no interest payment for 90 days or amortisation.

"It was important to standardise the definition of non-performing loans because these grew dramatically last year,' says Mr Risto Maattanen, dep uty director-general of the Banking Supervision Board, Although the market is no informed of the monthly fig-

ures, the banks do have to report their non-performing loans in their annual reports now, which is a new step. "We can't change the eco nomic environment, but the least we can do is be honest to

ourselves and the public. There ls not a single problem-free hank and we see it as a very dangerous situation as a whole" says Mr Määttänen. Banking analyst Mr Roger Kempe of Evil Securities wel-comes the changes which have been introduced so far. banking supervision has strengthened its grip and is

demanding more information so that it has a stronger control over the banks," he says.
"Sometimes in the past, it didn't give out the information that was important, but now the rules have changed and the banking supervision has become very strict and

demanding."

Currently under the control of the Ministry of Finance, the banking supervision may soon be placed under the wing of the central bank and given the task of supervising Finland's banking and insurance mar-

particular attention paid to risk concentration and capital The latter are monitored by Already, the decline in banks' profitability stemming from the dramatic rise in credit the Ministry of Social Affairs now, but it would make more sense to combine regulation of losses has forced the Banking the two sectors under one roo Supervision Board to introduce to allow a more comprehensive new reporting requirements.

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ding technology of the Vikings made it possible to transport such items quickly, and over long distances, and recent findings show us some of their trade ships

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European Finance and Investment: Nordic Countries 4

☐ DENMARK: THE BANKS

Lesson of the high capital ratio

larger colleagues without too much Nevertheless, the banks are not carning enough for their long-term health. The average return on equity was under 1 per cent and in both 1990 and 1991 loss provisions averaged about 2 per cent of loans

DENMARK'S banking and other

financial institutions are in a less worrying state than those in other Nordic countries. No leading banks

have had to be rescued by the government, and the many smaller banks and savings banks which have found themselves in serious

difficulties in the past few years

have almost all been absorbed by

and guarantees Of the big four banks, which account for about 80 per cent of all bank business, the best performance was a 6.5 per cent pre-tax return on equity capital by the country's biggest bank, Den Danske Bank. The second-largest, the Uni-danmark group, made a negative return of 9.6 per cent, while the Jutland-based Jyske Bank made a return of 0.8 per cent and Bikuben, flagship of the savings bank movement, reported a negative return of

many banks (with over 70 banks and almost twice as many savings banks), too many people working in them and too many branches.

As the opportunities for stepping up earnings by widening interest margins and charging higher fees and commissions are limited, the way ahead lies through cutting costs and reducing personnel.

The 1990 mergers, which turned the six largest banks into two super-banks, Den Danske Bank and Unidanmark (the name of the group holding company: Unibank is the name of the bank), paved the way for rationalising the branch net-work. Danske is reducing the network from 750 to about 550-600, Uni-bank from 700 to 500. Both banks

0.04 per cent. It is generally 10 per cent by the end of this year accepted that the country has too as compared with the pre-merger

Danske, however, has recognised that the preliminary cost-cutting exercise was not sufficient. It announced last month that it would reduce staff by 20 per cent, from 15,000 to 12,000, over the next three years, setting the pace for the rest of the banks.

The large insurance-based groups Baltica, Hafoia and Topdanmark, are not performing well either, and this is not primarily a reflection of the results of the core insurance business. Shareholders are paying the price for adventurous manage-ments, and criticism is rife of the keep a tighter rein on manage-

Baltica and Tondanmark's man-

agements were gripped in the mid-1980s by an urge to diversify their operations into banking, real estate agencies, vehicle rescue operations and even travel bureaux. None of these activities has been a success and some have caused considerable losses while occupying valuable

management resources.

Hafnia has stuck more closely to the business with which it is familiar, but its earnings and financial position have been adversely iffected by an unsuccess to gain control of Baltica by buying up a third of the equity and also by its heavy investment in Sweden's Skandia. The costs of these investments will be reflected in a substantial loss when the 1991 results are

The investment in Baltica followed an attempt at an agreed

Danish insurers. It fell through because the two chief executives could not agree who should become top dog. "In companies which are properly run, the chairmen of the supervisory boards would have arranged the merger first and dealt with the personality problems last, and would not have left the fate of the negotiations to the chief execucommented one of Den-The good news is that Denmark's bond-issuing mortgage credit institutions, which play a leading role on the financial scene, seem to have come through a troubled period, caused by falling property prices and new reserve and loss provision requirements, and can now look forward to quieter and more successful times. Both the largest institutions,

Nykredit, were back in profit in 1991. They expect to stay there.

Danish bankers and officials have a number of explanations as to why the country's banks have survived the past few years with fewer trou-bles than their Nordic colleagues, even though the Danish recession. which began in 1986-87, was just as steep as in the other countries. Above all, the capitalisation ratio at Danish banks has always been high. The minimum legal capital ratio has been 7 per cent since the 1930s. The definition was even tougher than the figure suggests, as became apparent when the new BIS rules were applied to the Danish banks: the average capitalisation ratio under BIS rules turned out to be 13.6 per cent. It now averages 11.2 per cent and the legal minimum

ratio is, for the time being, 10 per

For years, the banks complained For years, the banks companied that the capitalisation ratio placed them at a disadvantage internationally. "But", said Mr Sten Rasborg, chief general manager of Unibank, "We have subsequently had to thank Mr Erik Hoffmeyer, governor thank Mr Erik Hoffmeyer, governor of the National Bank (central bank). for maintaining the high ratio."

Other factors which helped the Danish banks include the gradual liberalisation of the financial markets over a long period, starting in the early 1970s, an economic crisis in the early 1980s, including declining property prices, which gave the banks and the authorities valuable experience when they faced new problems in the late 1980s; and efficient supervisors with a long his tory of assessing the banks' big risks, which meant that the banks' asset quality was relatively sound,

Times are still not easy, but the economy is staging a slow recovery and the banks generally expect to see bad loss provisions fall to more manageable proportions in 1992-93.

Hilary Barnes

DEN Danske Bank shocked the Danish public in February reported a sizeable DKr1.3hn profit and announced that it was going to cut its staff by 20 per cent from 15,000 to 12,000 over the coming three years.

It gave staff three months to consider offers of redundancy payments or, alternatively. face the risk that some of them would be dismissed.

Danske, the result of a merger in 1990 of the former Danske Bank, Copenhagen Handelsbank and Provinsbanken, has established itself firmly in the lead as the country's biggest bank, with a bal-ance sheet total of DKr363bn to the Unidanmark group's DK263bn. Unidanmark is the result of a 1990 merger between Privatbanken, SDS and Andelsbanken.

The announcement of staff reductions, however, was in keeping with the disciplined culture of the bank. It is a culture which is reflected in a cautious lending policy, a conservative loss provisions pol-icy, and a policy of sticking to doing what it knows best. It has avoided grand alliances, either with banks in other financial institutions, such as insurance and mortgage credit associations, at home.

The bank has not ignored the potential from insurance and mortgage credit business. but is proceeding ceutiously. It has a pilot project together with the Hamia insurance ☐ THE RIVALS: Danske Bank vs Unibank

A clear contrast

group for selling standard accident policies from bank branches. It has set up its own life assurance company to help it attract long-term savings, and it is offering bond-backed, fixed interest mortgage credit

There is a clear contrast between Danske and its rival. Unibank accepts bigger risks. It has, for example, a larger portfolio of property-related loans than Danske, and these go some way to explaining why the bank increased provisions to DKr5.4bn in 1991, some 3.1 per cent of loans and guarantees. "Asset quality" Moody's, the US rating agency, announced in February that it was reviewing Unibank's Aa2 long-term credit rating. Stan-dard & Poor's also has Unibank under review.

A few days before publishing its 1991 results, Unibank announced a strengthening of its central credit control function. The purpose is to provide a better overview of the credit policies of its four divisions domestic banking, merchant banking, trade and international divisions). "We have introduced

alightly more distance between

the sellers of credit and the credit assessment function," said Mr Steen Rasborg, Unidanmark's chief executive.

in an eight-page internal paper to all employees, a paper which also suggested that any employees, at whatever level. who found difficulty in accepting management decisions should reconsider their posi-The climate and morale among employees is excellent,

explained Mr Rasborg, but the merger process had inevitably left a few people dissatisfied, including one or two who aired their views in the media. "All we are saying now is that we don't want to hear any more complaining," said Mr Rasborg. Unibank believes in alliances. It is involved in the alliance with Den norske Bank and Skandinaviska-Puskilda Bank and it plans to become part of a gigantic financial services group together with mortgage credit association Nykredit and Tryg, the insurance company. Nykredit and Tryg have already merged under a holding company.

Danish legislation has so far

hindered Unidanmark from

foining them, but Mr Rasborg says that when the European Community's fifth company law directive comes into force, Danish law will have to be amended to permit the tie-up. The reason for Danske's

decision to reduce its staff so substantially is found in the bank's meagre net interest earnings and earnings from fees and commissions, which declined from DKr10.22bn in 1990 to DKr9.82bn in 1991m.
Earnings per krone of operating expenses fell from DKr1.64
to DKr1.54 compared with
DKr1.58 for Unidanmark. Looking ahead, said Mr

Knud Sorensen, chief execu-tive, budgets showed that this was an unsatisfactory level of primary operating profits, requiring action to ensure that profits return to a more satis-"We want to see sound basic earnings," he said. Earnings per krone of costs should be

Dkr1.75-2.00, putting them in line with the performance of the more profitable Swedish banks, he told the Financial Times. The planned staff reductions should mean an improvement in earnings of

The other large banks,

including Unibank, managed to increase net interest and fee

income last year.

Among explanations put forward by Mr Sorensen for Danske's relatively poor performance on this count were that the relatively high quality of the lending portfolio may be reflected in the prices that the bank can take; tough competi-tion for corporate sector loans in a market which increasingly international; failure of the economy to grow signifi-cantly, and the decline of the retail market, which now accounts for about 25 per cent

of lending compared with 40 per cent a few years ago. This latter point reflects the fact that low inflation (only 2.5 per cent in 1991) and changes in the income tax. regime have made saving worthwhile and borrowing much less attractive than it used to be, which has helped turn Denmark's long-standing deficit on the balance of pay ments current account into a surplus but has significantly changed the climate in which

Where Danske managed to pull ahead was on its provisions, which were reduced to DKr2.88bn, or 1.45 per cent of ioans and guarantees, from DKr4.25bn in 1990, when the figure was inflated partly by the process of bringing the provisions policy of the three merging banks into line with each other.

the banks must operate.

Hilary Barnes | capital and its complete dedica-

PROFILE: PFA PENSION

For the customers

MR Andre Lublin, managing director of PFA Pension, Denmark's largest private pension and life assurance group for questions about his rivals, which are not entirely rhetorial, with the speed of a

machine gun. Who are they serving? Their shareholders? Their staff? Their customers?". As to his own company, he has not a moment's doubt. The first thing he points out is that his group's share capital is precisely DKrim and the articles of association prevent it from paying more than DKr50,000 in dividends.

The implication is clear: anyone who has a policy with a company paying hundreds of millions in dividends to share holders should think again. We exist for our customers," says Mr Lublin, "We have the highest yield, lowest cost, and lowest prices for insurance cover, And we give the best.

PFA Pension was founded in 1917 jointly by a group of employers' associations and salaried staff associations, which explains its special structure with a minimal share

Modesty is not Mr Lublin's . style - at least, not when he is talking about PFA Pension. But he has something to boast about. It is arguably the most successful Danish financial institution of the past decade. Under Mr Lublin's stewardship, it has grown fast, and rising market share, not by acquisitions. PFA has shunned diversification into other types

Its market share has increased from 20.1 per cent in 1988 to 24.5 per cent in 1991. Premium income increased by DKr700m to DKr4.06bn in 1991. while income for its chief rival, Danica increased by DKr250m to DKr4.37bn. Owned by Baltica, Danica is the result of a merger of Baltica's life and pension business with the former Statsanstalten, which until privatisation in 1990 was a state fund. Mr Lublin is con-

of business.

fident that in 1992 PFA Pension will pass Danica, PFA tops the yield league for life and pension savings companies, with a 1990 yield of 13.60 per cent, reduced to 8.50 per cent by a special Daniah tax on pension and life assurance savings. The group's costs

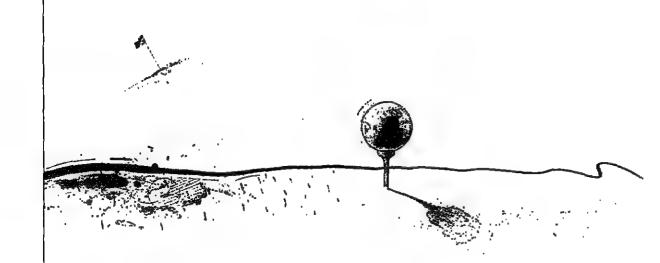
income, a low figure by any standards. One reason for the low costs is that PFA deals with corporate and group pen-sion and group insurance for relatively low-risk people. Companies which cater for the individual market think Mr Lublin is a little unfair when he points out that their costs are much higher than his.

PFA's position as one of the largest money silos in Den-mark, with total assets of about DKr55bn and an investment budget of more than DKr5on in 1992, makes it an interesting target for international investment managers. The Danish life and pension funds only began to invest in foreign securities in 1989. The sums invested abroad are now quite substantial.

In 1992, PFA will place about DKr300m in foreign equities out of a total budget for equities investment of DKr700m. About DKr500m will go into foreign bonds. The aim is to increase the share of the investment budget going into non-Danish securities from 15 per cent at present to 20-25 per cent within a few years.

Hilary Barnes

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in the major countries of Eastern Europe More important even than the number of branches, is the fact that, throughout the world, you'll find that the people who work at the ABN AMRO Bank cooperate extremely

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European Finance and Investment: Nordic Countries 5

Den norske Bank and Fokus Bank, Norway's top three commercial banks, posted combined net losses of NKrisbn, a

four-fold increase on 1990. Combined losses on loans and guarantees shot up to NKr13.35bn from NKr8bn, as net interest income dipped to NKr8.58hn from NKr9.56bn.

However, last year's losses re not restricted to commercial banks. The savings banks sustained losses on loans and guarantees in 1991 of NKr4.17bn, or 2.07 per cent of assets, compared with NKr4.54bn in 1990 and NKr4.75bn in 1989.

Combined savings banks' operating losses rose to NKr1.96bn last year, or 0.97 per-cent of assets, from NKr1.08bn in 1990 and NKr580m in 1989. Sparebanken Nor, Norway's biggest savings bank, known intervationally on Union Bank internationally as Union Bank of Norway, saw net losses increase by NKr188m to NKr806m Although loan losses were reduced by NKr123m to NKrl.54bn, non-performing loans swelled to NKr3bn from NKr2.3bn, representing a loss of NKr100m in interest income

Hall Ballet

Tan Bang

The state-backed Bank

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The

new way to Norway.

☐ NORWAY: Banks have been doing badly, reports Karen Fossli

The losses mount up

Investment Fund - which is different from the state-backed Bank Insurance Fund (BIF) agreed to invest NKr700m in a convertible bond as part of a deal in which Sparebanken Nor will acquire Sparebank Kreditt, a mortgage company. This is the investment Fund's first placement since it was set up last autumn. Separate plans call for the invest-ment Fund to guarantee full subscription of a preferential share issue to be launched by DnB as part of a deal in which

it acquired Realkreditt, a mort-The commercial banks face new problems as well as linger-ing ones such as soaring costs and dwindling earnings. In a long uphill struggle to improve earnings, they have suffered draconian demands from the state, their new owner, as they are under-capitalised in an over-banked market.

ever, are more of a psychologi-cal nature, arising out of their new "national" status. There is a trend for customers to be less willing to service loans after the state last year transferred large sums of money - about 1 per cent of mainland GDP - to prop up the banks.

According to Mr Tormod Hermansen, chief of BIF, with the knowledge that the state has injected taxpayers' money into the banking system, cus-tomers think they may be pay-ing for the banks' sins twice. Another problem - which the banks can do little to influence - is the structure of the

industry. Until now there has

NORWAY'S beleaguered banks, disfigured by successive record annual losses, are glad to see the back of last year. But 1992 holds little

promise for any big improve-

about this. "Norway's policy... is based on an implicit commitment to maintain three big commercial banks. This policy is 10 years old and outdated, one banker points out. Some banks would like a

emerge with agreement on market share based on an implicit understanding that foreign competition will increase in the 1990s.
The Norwegian Banks' Association estimates that if a joint giro payment system was used by the commercial banks,

savings banks and the post-

(BIF) - responsible for design-

ing last year's hig bank rescue package and overseeing the state's new bank acquisitions.

BIF was allocated state funds of NKr11bn in 1991 to

help prop up the banks but the

fund has been reduced to about NKr500m-NKr600m by

calls made upon it. Christiania Bank and Fokus Bank have

warned that they will need additional state appropriations if new capital adequacy rules

Unemployment, including political consensus allowing one or two strong banks to those on government training

main source of the banks' coi-

savings bank, annual savings of NKr1.5bn could be achieved. In the meantime, the banks' carnings potential continues to be obstructed by the effects of Norway's recessionary econ-

schemes, is nearly 9 per cent, a post-war record, and there are bankruptcies, commercial and private, continue to set new records. Commercial bankruptcies rose by 29 per cent in 1991. The value of real estate, the

lateral for loans, has dropped in the past five years by an

the banks to make big writeoffs against accounts. During 1987-91, housing investment was haived as households struggled to reduce indebtedness. Fixed investment in the mainland economy since 1987 has plunged by 35 per cent. The Central Bureau of Statismainland economy GDP this year while investments may rise ? per cent by 1993, from minus 2 per cent in 1991-92.

According to Christiania Bank, a further decrease in investment in commercial property is expected in 1992, but by 1993 the fall may level

gling to stem continuous rises in non-performing loans, which reached NKr25.8bn by the end of last year, up NKr2.6bn since the end of 1990.

The banks have general loan loss reserve funds called "en banks, at the end of 1991, combined loan loss reserve funds were NKr6bn, compared with NKr4.1bn at the end of 1990. However, in terms of capital adequacy there is no legal Norwegian definition of the reserves to determine whether they count as core capital, tier

capital or if they are neutral.

If these reserves are included in defining the capital adequacy of the bank, it would overstate the solidity of the banks," says one banker.

Norway's banking system

saw state transfers of close to NKr20bn last year, but the banks need additional capital. Fokus Bank says that it expects the BIF to provide fresh support in 1992 while Christiania Bank estimates it needs NKr2.5bn just to meet new capital adequacy requirements. Analysts believe the bank would be better off if it got more than NKr5bn.

Further state transfers of

being ruled out for the ailing banks. But DnB says that it has no plans to make a new call on the BIF.

In the struggle to reduce costs, the three banks have cut 3,436 jobs since 1939 to a total of 13,292. In the last three years operating costs by the three amounted to NKr31bn. DnB is the only one of the three which ing costs. Since 1989 these have fallen by NKr370m to NKr4.97bn at the end of last year. Christiania's costs rose by NKr700m in the period while Fokus saw a NKr290m

Mr Hermansen believes it may take up to four years before the banks make sufficient earnings to service their equity capital on a stable basis. By that time they will face a new competitor; this year the government plans to establish a post bank.

☐ THE BANKING SYSTEM

Beleaguered and disfigured

Last year, Norway was forced to virtually nationalise its banking system. Christi-ania Bank and Fokus Bank, "The problems within the banking system have seriously ania Rank and Fokus Bank, respectively the second and third higgest banks, saw their share capital wiped out while Den norske Bank (DnB), the biggest, was barely saved from technical insolvency by a complex re-capitalisation bail-out orchestrated by the state.

However, Mr Hermod Skaanrocked the political establishment," said Mr Arne Oeien, former Labour oil minister, who is now secretary-general of the Finance Ministry. Mr Ocien forms half of a dynamic duo – his partner is Mr Tormod Hermansen, chairman of the year-old state-backed Bank Insurance Fund

However, Mr Hermod Skaan-land, governor of the central bank, issued a warning last month when he said that the crisis within the banking system would not be solved until the banks were in a position to raise capital in the private market on a commercial basis. "The state's engagement (in the banking system) must be wound down as soon as possi-ble," Mr Skaanland said in his

annual speech on the state of the domestic economy. In 1991, the Oslo bourse's bank sub-index saw prices plummet 79 per cent. After deregulation in the 1980s, which fuelled competition among the banks bordering on the extreme, they became prey to a suphoric expansion in the

to a suphoric expansion in the Norwegian economy and among themselves which has suded in dispiriting declines.

According to the Norwegian Banks' Association, combined net losses by the commercial banks, its members, last year hit NKr15.882bn — a near four-fold increase from 1990 when they were NKr4.3bu. In when they were NKr4.3bn. In 1989, losses were just

Credit losses last year soared to NKr12.362bn, up from NKr8.221bn in 1990 and NKY7.407bm in 1989. But the savings banks and secondary finance institutions are taken

According to the Banking mission (BISC), the country's finance watchdog, combined credit losses accelerated to NKr19.8bn in 1991, up from NKr19.3bn in 1990, while oper-ating losses increased to beyond NKr17bn from NKr6.5bn in 1990.

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are to be met by the end of the year. Christiania alone says it needs NKr2.5bn just to abide by the new rules which are based on the Bank for International Settlements (BIS) stan-

Mr Oeien is more optimistic about the future of the banks than Mr Hermansen who rest of this decade before the their health can be restored to allow profitability and growth which in turn can fuel private

"Norway's banking industry is in a very deep crisis which has proven to be worse than feared and will last longer than what many people are willing to believe." Mr Hermansen said recently mansen said recently.

His pessimistic outlook is

based in part on his forecast of a lack of solid growth within

the Norwegian economy until the end of the 1990s and the ssity for a big restructuring of the banking industry which has yet to take off. Mr Ocien believes there is a good chance that further state

appropriations to DnB may not be necessary in 1992. Last year, Norway's taxpayers and the bank's own security funds coughed up close to NKr20bn to prop up the alling banks through subsidised loans and state cash transfers.

government had sought to sell, but failed, required NKr7.864bn alone. Fokus and DnB also had massive support. It still remains unclear if the ownership of Christiania Bank will remain in Norwegian hands. Clouds over the bank seem darker than those

Christiania Bank, which the

The government is deter-mined to keep DnB out of comalthough its ownership in the bank is already pushing 30 per cent. "For DnB and for Nor-way it is important to keep at least part of the bank's owner-ship in private hands," says

"For Christiania the losses were so high that there was virtually nothing left of the bank... it was just too far gone to allow a symbolic value to be retained... but I will admit that we were surprised over the size of DnB's 1991 losses," he said. For Fokus Bank there are

some positive signs: the bank's leadership has adopted a realistic strategy and reorganisa-tion, according to Mr Hermansen, in which an association of banks have been established

where each bank is responsi ble for its performance. However, Mr Hermansen and Mr Oeien both believe that and Mr Oeien both believe that
DnB and Christiania need to
do more to improve efficiency,
cut costs and boost profitability. But the banks' future
development will hinge
greatly on the development of
the domestic economy. Unemployment, including those on government training schemes, is at a post-war record high of nearly 9 per cent, while corpo-rate and private bankruptcies continue to swell to new record levels. Wage levels are far above those of Norway's trading partners and export industries have been hard hit by the international recession. One thing is certain: Norway's banking industry in the year 2000 will be quite different than what it is today and Mr Hermansen intends to play leading role in shaping its new structure. But at this point, not even a whisper can be heard about the timing of re-privatisation of Norway's

Karen Fossli

Svenska Handelsbanken

Investment Banking

ment appears on a matter of record only SPECTRA-PHYSICS AB (Sweden)

> has sold Interspire AB

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(France)

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ant appears as a matter of record only HAWTHORN LESLIÈ GROUP PLC (United Kingdom)

> has sold Ite Electrical Wholesale Division

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Sole Advise Svenska Handelsbanken

KABI PHARMACIA AB A subsidiary of Procordia

> has acquired a 71% shareholding រភ

PIERREL SPA (Italy)

Svenska Handelsbanken

INVESTMENT AB BAHCO

(Sweden) bas sold

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THE Nordic Investment Bank has at least one positive attri-bute at the moment. It is the

on both Nordic and interna-tional capital markets. During the first eight

months of last year, the NIB made a profit of SDR25m or \$34m. Its total assets were

SDR6.058bn while its interest income stood at SDR226.1m,

The bank is suffering from

no credit losses although it has SDR3.420bn in outstand-

nas SDR3.42000 in outstanding loans. But as Mr Jannik Lindback, the NIB's president, explains, the bank is not com-peting with high street or savings banks. It covers only

investments that have an interest normally covering more than one Nordic country and these tend to have strong

financial support from both the public and private sectors. "The NIB has been a

corporate acquisitions inside and beyond the Nordic region. Increasingly environmental projects have become a domi-

nant concern for the banks

☐ ICELAND: THE ECONOMY

Monetary stability sought

ICELAND'S financial system may not yet have gone so far in a liberalising direction as the other countries of the Nordic region but like them it has also embarked on an intense period of deregulation as it pre-pares to converge with the European Community's single integrated market.

Unlike the rest of the non-EC Nordic countries Iceland is unlikely to seek full EC mem-bership in the near future. fit from the creation of the 19nation European Economic Area (EEA) which is expected to integrate the economies of the EC with those of the Euro-

The government is also taking the first steps in the development of a foreign exchange market

pean Free Trade Association (Efta) from January 1 1993. Iceland is set to gain 96 per fish products in that wider market and, as fish accounts for nearly 80 per cent of the country's exports, it remains vital that the EEA works.

The most important financial change for Iceland con-cerns the relationship of its currency to those of western Europe. The Icelandic govern-ment announced last October that since two thirds of the country's foreign trade was with the EC and European Free Trade Association (Efta) countries, and the other Nordic nations had pegged their cur-rencies to the European Cur-rency Unit, it intended to link the Icelandic krona to the Ecu as well – but not until 1993. The first step was taken last month when iceland's - quite an achievement for an exchange rate basket was reduced from 17 to three curvilla with an annual inflation rate reduced from 17 to three cur-rencies consisting of the Ecu, the American dollar and the Japanese yen with a relative weight of 76 per cent, 18 per cent and 6 per cent respec-

The government is also taking the first steps in the devel-opment of a foreign exchange market for Iceland with powers being given to the country's central bank to intervene and adjust the krona's daily exchange rate. A new Central Bank Act is being prepared which will also enable the bank to influence short-term market interest rates.

ently firm in its commitment to the establishment of Icelan-dic monetary stability, an objective that has proved hard to achieve. For most of the past 20 years, the economy has suffered from the consequences of high inflation.

Stagnating export prices for fish in the late 1980s under-mined efforts to uphold the value of the krona and forced the government into periodic devaluations to strengthen iceland's balance of payments and secure some market advantage for the vulnerable fishing industry. But since December 1989 the average exchange rate of the icelandic krona has remained stable.

The present Icelandic government appears determined to tary stability even if this has meant carrying out increasingly unpopular economic policies that are squeezing real dis-posable income and increasing registered unemployment.

Restrictive monetary mea-sures have helped to keep down the annual rate of infla-

of 20-30 per cent since 1983. Forecasts for this year suggest Iceland will maintain its rela-tively low inflation rate at about 2.5 per cent. If this happens, it will take the country below the inflation average in the Organisation for Economic Co-operation and Development (OECD) countries, an unfamil-

iar experience for Iceland. But other economic indica-tors look grim. A 4.1 per cent cut in the country's gross national product is expected this year with a 6.1 per cent decline in national income

The commercial banks have also gone through a radical reorganisation through merger and amalgamation

which would be the biggest drop since 1950 and the fifth successive year of stagnation. The current account deficit is expected to amount to 45 per cent of Iceland's gross national product while the 1992 budget deficit will amount to 2.4 per cent of GNP; the same as last

The outlook for the all-important fishing industry is murky. Reduced fish quotas are expected to lead to a 8 per cent decline in fish exports. At the same time, the indefinite postponement announced last November in the long-expected Atlantal project to build an aluminium plant in Iceland producing 200,000 tons a year has hit hopes of economic

diversification.
The lifting of controls on Iceland's financial system really gathered pace after the mid-

bute at the moment. It is the only bank in the region which still enjoys a triple A rating for its bonds from the leading credit rating institutions Moodys and Standard & Poors.

Established on August 2 1976 with a head office in Helsinki by the governments of the five Nordic countries, the MIP's aim is to finance on normal banking terms investment. 1980s with an important step being taken in August 1990 when restrictions were lifted on long-term outward capital mal banking terms investment projects in and outside the Nordic area. Its lending facili-ties are financed by borrowing

movements.
There has been the emergence of mutual funds and leasing companies and the development of a securities exchange. The commercial banks themselves have also gone through a radical reorganisation through merger and amalgamation as their number has been reduced from seven to three. There are plans to change the Agricultural Bank into a limited company with the state's shares being offered

to the public. But the opening up of Ice-land to outside financial influand to cutsus mancial infuences has led to some criticism from those who fear the small economy will be submerged as a result. This is why the Icelandic government continues to be much more cautious than its Nordic neighbours in its slow but steady more to meater like. but steady move to greater lib-

Last March, for example, new legislation was introduced to encourage foreign direct investment into Iceland but it was made clear that only Icelanders or domestically registered companies had access to the country's fishing grounds and primary fish processing

Again, foreigners cannot acquire the right to harness waterfalls and geo-thermal energy. And non-residents 49 per cent stake in Iceland's domestic airlines. Investment by foreigners in domestic incorporated commercial banks is also restricted to 25 per cent although foreign com-mercial banks have been free to open branches from the ranches from the for 20 per cent of all NIB's disbursements in 1990. This is due not only to the genuine beginning of this year.

☐ Nordic Investment Bank

Useful role as a go-between

anxiety about pollution levels ling countries in the Third Felt throughout the Nordic region but the recognition that eastern Europe. loans are available from the NIB to clean up the environ-ment even if an investment scheme affects only one Nordic

country directly.

The NIB explains: "The reasoning behind this is that most types of pollution do not stop at country borders". Recent loans in the environmental sector have included a sector mave included a SKr300m contribution in the Swedish paper group MoDo's SKr1.5bn project designed to reduce emissions of oxygenconsuming and chluride particles into the Gulf of Bothnia and Baltic sea from four facilities on Swedish contribution. ties on Sweden's east coast; a DKr29m contribution to the DK789m development of a waste water purification plant in east Jutland, Denmark; and a FM29m loan for a desolphurisation facility in an energy

plant at Espoo in Finland. In October 1990, the NIB established the Nordic Envidynamic force in cross-frontier integration in our regions, says Mr Lindback. "In the past five years we have doubled our leading portfolio". He sees the bank as a complement to other sources of finance in the Nor-dic area. The NIB is interested ronment Finance Corporation with the purpose of providing share capital or loans for joint environmental ventures of central and eastern Europe. It has had a modest beginning with an authorised capital of SDR36m for a six-year trial not in short-term funding but in medium and long-term loans with maturities of between five and 15 years.

Just over half the MH's disbursements go into manufacturing projects with an estimated 40 per cent of loans in
1990 made in the funding of

Ten years ago, project loan investment facilities were started by the NIB with SDR100m of long-term loans of up to 20 years disbursed each year to credit-worthy develop-

The NIB has also been involved in a Nordic region government-based task force set up in September 1990 after an environmental conference at Bomerby in Sweden. The task force is examining ways of financing projects to purify the polluted Baltic sea by encouraging co-operation encouraging co-operation between the Nordic countries and their eastern neighbours. So-called "hot spots" have been defined where pollution is the most severe and the financial needs are the great-est. The area of greater St Petersburg as well as the industrial regions of Katowice in Poland and Ostrawa in Greekslavskie bereigh

Czechoslovakia have been

highlighted as "super hot" and in need of urgent action. The

NIB is not alone as a source of financial support in the wider environmental picture of northern Europe. The European Bank for Reconstruction and Development and the European Investment Bank are also involved. But the NIB is being used to

draw attention to the desper-ate need for capital infrastruc-ture investment on the edge of the Nordic region. It has produced, for example, two invaluable studies of investment plans and needs in the three independent Baltic states of Latvia, Estonia and Lithusnia. The idea of creating a Baltic states with

nia. The idea of creating a Battic Investment Bank with access to the international money markets jointly owned by NIB and the Baltic countries is being floated.

Mr Lindback stresses that NIB has only limited resources and cannot become a large multilateral lending institution. But even while it tion. But even while it remains modest, the NIB can still perform a useful role in acting as a go-between for the Battic countries as well as in the Third World where many ald schemes received the hank's support.

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MINIMINIMI SCANDINAVIAN BANKING PARTNERS

The 'golden age' for commercial banks still prevails: Page 2

REPUBLIC OF CYPRUS

Last year saw a record number of offshore registrations: Page 3

SECTION IV

Monday March 23 1992



There would be no shortage of economic opportunities if the two communities of Cyprus could reunite,

even in a much looser relationship than the bi-communal system of government which collapsed in 1963. But a lot of political goodwill is needed. Kerin Hope investigates

Goodwill is key to unity

THE roofless houses and rusting barbed wire around the UN checkpoint in central Nicosia could be part of an abandoned film set. But a loitering soldier in a blue serge cap serves as a reminder that Cyprus remains a divided island where most Greek and Turkish Cypriots have been unable to exchange even a greeting for almost 18 years. The contrasts within the city

underline how the two communities' paths diverged after
Turkish forces invaded the
north of the island in 1974 in
response to a coup plotted in
Athens which aimed at uniting Cyprus with Greece.
Tall, white office and apart-

ment blocks crowned with satellite dishes overlook the UN-patrolled "green line" on the southern side. The Greek Cyp-riots, forced to rebuild their lives after abandoning the northern third of the island, proved so successful at devel-oping tourism, textile manufacturing and offshore services that per capita income in the internationally-recognised Cyprus republic compares with

Spain.

The Turkish Cypriots, an 18 per cent minority in the island's population of 600,000, live quietly in what resembles a Turkish provincial town, apart from a newish suburb housing the administration of the self-styled Turkish Republic of Northern Course 1222. lic of Northern Cyprus, recog-

nised only by Turkey. The presence of almost 30,000 Turkish soldiers in the breaksway state, plus some 50,000 settlers from mainland Turkey - brought in to culti-vate farmland left idle when the Greek Cypriots fled - reinforces the impression that northern Cyprus is somehow an outpost of Anatolia.

uit situation

A CAR MARK

Nevertheless, the Turkish Cypriots are also better off than before, thanks to tourism and investments by Asil Nadir, the Turkish Cypriot entrepre-neur now facing fraud charges in Britain after the collapse of his fruit-to-electronics group. But given its lack of international respectability, northern

attraction for investors, making it heavily dependent on aid from Turkey – said to have totalled more than \$500m since 1974 - and loans from Turkish banks. Wages in the north are only one quarter of southern levels and unemployment is rising, while several thousand jobs remain unfilled in the

As Greek Cypriot business-men are starting to point out, there would be no shortage of economic opportunity if the two communities could reunite, even in a much looser relationship than the bi-communal system of government which collapsed in 1963, only three years after independence from Britain.

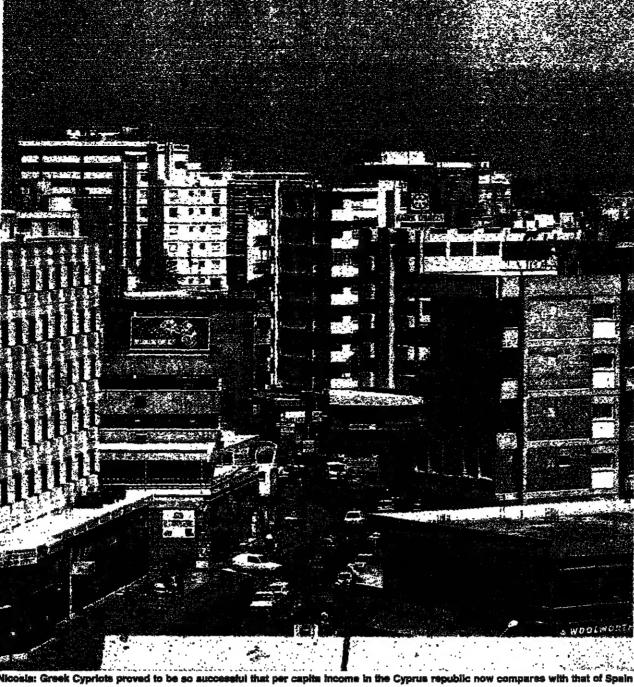
"The pie is now big enough for both of us. We should accept that they want to live separately from us and co-operate accordingly," says a Greek Cypriot financial consultant. one of a group that recently started building contacts with Turkish Cypriot businessmen. The politicians do not neces-sarily agree. Although inter-communal talks over the years,

sponsored by successive UN secretaries-general, eventually produced the outlines of a set-tlement, the crucial details remain to be resolved. The idea is that Gyprus would be reunif-ied as a bi-zonal federation where Greek and Turkish Cypriots could move freely, work and live in each other's zones.

The two communities would share power in a federal government more concerned with promoting Cypriot interests abroad than regulating domes-tic affairs. Most Turkish troops would go home and compensa

tion would be paid to islanders who decided not to return to their pre-1974 homes.

But a considerable amount of political goodwill is needed to resolve arguments over how much territory the Turkish Cypriots should hand back. how many Greek Cypriots will eventually be allowed to move north again and how often a Turkish Cypriot should serve as president of Cyprus. This



goodwill still seems to be lack-ing, even after US President George Bush voiced a personal interest last summer in seeing the Cyprus problem solved, thus providing the inspiration for a fresh UN negotiating

"It is very frustrating because 90 per cent of the set-tlement is already there. If the breakthrough were to happen, the UN officials could have an agreement ready to sign in a matter of days," says a western

To the Greek Cypriots, and also some outside observers, the stumbling block is Mr Rauf Denktash, leader of the break-away state, who now demands full political equality for the Turkish Cypriot community in Swice of the federation a Swiss-style federation.
"We shall never say Yes to a

federation that is not based on our sovereignty," he says. Mr Denktash, whose avowed priority is to safeguard his

nmunity from a return to

the days of discrimination and periodic violence at the hands of the Greek Cypriot majority, is also criticised by the Turk-ish Cypriot opposition as an autocratic leader unwilling to trade some of his personal authority in return for a settle-

On the other hand, President George Vassiliou, the Greek Cypriot leader whose backnessmen and political new-comer initially made him more flexible, is constrained by the probability that he will seek a second term in a presidential election to be held next year. He now seems to favour the conventional view, backed by Greek and Greek Cypriot politicians, that the only way for-ward is for President Bush to press the Turkish government to convince Mr Denktash that

the moment for a settlement has finally arrived. But one indication that he still feels optimistic is the prep-

aration of a Greek Cypriot master-plan for reuniting the two economies. "We think it will be possible to bring the Turkish Cypriots up to our level within two years, without any pain," he says. Despite Mr Vassilion's inabil-

ity so far to bring about a solu-tion, he will still be the front-runner if he decides to

seek re-election. One result of improving standard of living for Greek Cypriots over the past four years has been to push what is known as "the national issue further into the background. "There are times when you feel it's a topic for discussion over dinner, no longer really part of your life,"
says a Greek Cypriot engineer.
Even the politicians' insistence that a settlement must

allow all Greek Cypriots the right to return to their homes in the north seems at variance with the views of a younger generation which is growing

up in the towns of the south without any knowledge of Turkish Cypriot community.
Mr Vassiliou, elected with
the backing of the still-power-

ful Cyprus communist party, Akel, has had his difficulties pushing economic reforms through parliament as a presi-dent without a political party of his own. But he could only be unseated next year by an alliance of the two ru parties, Democratic Rally and the Democratic Party, whose ageing leaders are associated ments and old-fashioned atti-

Their resilience since the island was effectively partitioned makes the Greek Cypriots feel confident they will go on prospering on their own. But Cyprus cannot be assured of long-term security or of achieving its ambition to join the European Community until the two communities are again ☐ TOURISM

A reputation for quality

AFTER a season of cancelled north. The growth rate in bookings and deep price cuts, Europe from 1980-90 averaged bookings and deep price cuts, Cyprus tourism are being greeted with cautious relief.

The Gulf crisis interrupted a decade of steady expansion in the island's tourist industry. Foreign visitors were flown home by tour operators worried about rising insurance costs, while botel occupancy costs, while hotel occupancy rates plummeted to 25 per cent in the first few months of 1991. Staff were laid off and some hotels closed.

"There was a misunder-standing about our geographic position. Attention tended to

focus on how close, rather than how far, we were from the hostilities," says Mr Andreas Nicholaou, chairman of the Cyprus Tourist Organi-

sation (CTO).
Although bookings recovered over the summer, reaching normal levels by Septem-ber, arrivals for the year totalled 1.32m, a 15 per cent decline from the record number of 1.56m in 1990. Foreign exchange earnings fell from C£573m to C£470m as hoteliers cut prices in an effort to cover ses earlier in the season.

losses earlier in the season.

This year, however, arrivals are projected to reach 1.65m, although revenues will rise more slowly than in the past. Prices remain close to 1991 levels, reflecting apprehension that Cyprus would not immediately be able to recover its share of the European market. In fact, price stability brought such a rush of bookings in medium-priced hotels that the CTO had to intervene to prevent overbooking. Operto prevent overbooking. Operators in Britain, the main market, are being reassured that anyone left without a room will be given one in a four- or

This year, too, hoteliers will be struggling to cope with a staff shortage, the result of full employment in the south of the island. Foreign contract workers, many from eastern European countries, are being hired as cooks, chambermaids and restaurant staff so that as many Cypriots as possible are available for jobs involving direct contact with visitors. ways, the state carrier, launched a charter subsidiary, launched a charger subsidiary, Eurocypria, to which it leased two new Airbus A320s. According to Mr Tassos Ange-lis, the airline's spokesman, Eurocypria has already sold 140,000 seats, its entire capac-ity for the season.

In southern Cyprus, tourism grew much faster during the 1980s than in the rest of Europe, with the development of resorts along the southern and western coast to replace those abandoned in 1974 after the Turkish invasion of the

exchange earnings rose by an average 8.3 per cent. For Cyprus, the equivalent figures were 16 and 23 per cent. Apart from being a sun-and-sea destination, with a longer

season than Greece or much of the Turkish Aegean coast, Cyprus is held to offer better standards of service than in other Mediterranean counother Mediterranean coun-tries. Even Ayia Napa, the Cyprus equivalent Benidorm, attracts a proportion of "repeat" visitors. Other resorts, especially Paphos, appeal to older tourists who are more likely to return

are more likely to return within two or three years.
Cyprus managed at the same time to acquire a reputation for quality which the CTO is anxious to preserve. "The 1990s will be the decade of quality destinations. They are the ones that will survive in an increasingly competitive." an increasingly competitive world," says Mr Nicholaou.

The CTO aims at increasing Cyprus's share of the growing international market in incentive and conference tourism. adding more marinas to attract yacht owners south from Greece and Turkey, and developing the special interest market. Already, Scaudina-vian and central European soc-cer teams hold training sescer teams noid training ses-sions in Cyprus. Elderly visitors from Britain or Fin-land, escaping from northern European winters for longer stays, can take courses in bot-any or Greek cooking.

Until now, Cyprus has not been a regular port of call for Mediterranean crulse ships. But as local travel agencies have discovered, one profit-able way of keeping visitors entertained is to offer them short cruises to Egypt and Israel, both within easy reach of the island.

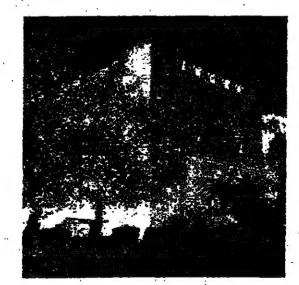
Although an 18-month mora-torium on hotel construction has ended, the intention is to avoid a rash of new building. With 65,000 beds available, mostly in three-star hotels, capacity is thought be adequate. In future, priority will given to four or five-star leisure and sports facilities.

Yet if Cyprus is to focus successfully on up-market tourism, the market must be diver-sified to include more French, German, Austrian and Swiss visitors. At present, British tourists account for 49 per cent of arrivals, with Scandinavians the next-largest category at 16 per cent. The next step being planned by the CTO is to persuade Americans and Japanese to include Cyprus on their European itineraries.

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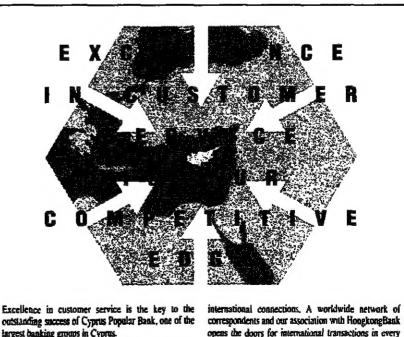
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☐ THE ECONOMY

Signs of overheating

THE unofficial indicators of prosperity in eastern Mediterranean countries - weekend traffic jams, supermarkets filled with well-groomed shoppers and crowded seaside res-taurants - are much in evidence in Cyprus.

A heavy emphasis on consumer spending is one enduring consequence of the neaval in 1974 when about 180,000 Greek Cypriots were driven from the north of the island, leaving behind hotels, factories and citrus orchards that represented more than 60 per cent of the island's

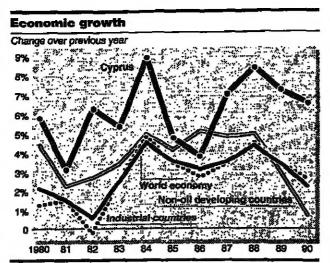
Another is the Greek Cypriot insistence on acquiring skills abroad, a reflection both of high unemployment in the early years of rebuilding and the sense of security derived from being able, if necessary, to earn a living outside the island in fact, economic recov-ery came swiftly in the south, with priority given to short-term infrastructure projects financed through foreign aid and borrowing. It took only five years for incomes to return to pre-1974 levels.

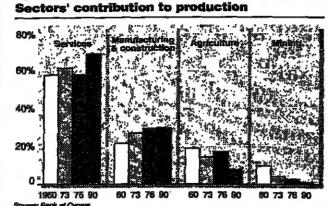
Exports rose as new, labourintensive manufacturing exploited demand in the Gulf states during the oil boom, while services benefited from Beirut's decline as a busine centre. When mass tourism took off in the south, the aging more than 5 per cent in the late 1980s. However, the Gulf war dealt the tourist industry a harsh blow last year. Although bookings picked up as the season advanced, hoteliers were obliged to accept sharply reduced prices to ensure occupancy rates that would cover the year's costs.

Exports were also affected with a number of small plants dependent on orders from the Gulf being forced to shut down, while port activity at Limassol, a regional transhipment centre, slowed down.

As if this were not enough to contend with, a severe drought little water available for irrigation despite a sustained conservation effort, agricultural output fell by 10.1 per cent. The economy grew by just 1.5 per

Yet this appears to have been only a temporary setback, according to the government growth for 1992 is 7 per cent, led by a recovery in exports





and what seems likely to be a record year for tourism. But as Cyprus heads into an election year, signs of over-heating are emerging. Inflation reached 6 per cent last year; the introduction of value added tax this summer may bring it to 7.5 per cent this year. While exports remained steady at C£390m in 1991.

The unions will be asking for larger rises on top of index-linked increases twice a year

imports surged by 20 per cent as consumers launched a spending spree in advance of VAT. This, coupled with a decline in tourism earnings. transformed a current account surplus of C£40m in 1990 into a C£110.8m deficit, equivalent to 3.8 per cent of GDP.

With collective wage agreements in several sectors coming up for renewal this year, the unions will be asking for larger rises on top of index-linked increases twice a year. Their bargaining power is enhanced by a labour shortage which has forced employers to import short-term contract workers, mostly from eastern

"Real increases of 3-4 per cent a year are standard now, and the unions are a militant bunch. It will be hard to restrain demand in an election

year," says one analyst.
The government has little room to manoeuvre, after being forced by Parliament not only to limit VAT to a single 5 per cent rate but to postpone its introduction for six months. In the meantime, a new tax package, including across-the-board cuts in income tax, had already come into effect.

The resulting budget deficit amounted to 5.1 per cent of GDP, double the previous year's figure. But given the pre-electoral commitment to spending on high profile proimprovements, the deficit is unlikely to shrink much this

Still, whatever the imbal-ances in southern Cyprus, they problems facing the self-styled Turkish Cypriot

The collapse in 1990 of the fruit-to-electronics empire of Mr Asil Nadir, a Cypriot by birth, cut short a brief period of optimism about the future. About 8,000 Turkish Cypriots, some 12 per cent of the workforce, were employed in a dozen companies he controlled in northern Cyprus, from citrus exporting to packaging, hotels and newspaper publish-ing. With three-quarters of Mr Nadir's employees now out of work, northern Cyprus again relies heavily on aid from Tur-key, amounting to more than \$60m yearly. Over the years, Turkish state banks have also inanced construction of roads, two airports and expansion at Kyrenia port. Yet per capita income in the north is less than one-third that in internationally recognised Cyprus and appears to be falling further behind. No official figures are available, but growth last year is thought to have been negative, after a 5.5 per cent rise in

While crossing the Green Line that divides Cyprus is offi-cially forbidden, several hun-dred Turkish Cypriots slip into the south daily to put in a few hours of work on a Greek Cyp riot construction site.

As in the south, tourism is the mainstay of the economy, with some 600,000 visitors from Turkey last year but only 42,000 foreign tourists. Northern Cyprus was also hit badly cancellations due to the Gulf crisis. This year, a 30 per cent increase in foreign arrivals is forecast, the result of more effective marketing in western Europe, and receipts may rise to \$25m.

But sharing a currency with Turkey means that northern Cyprus imports a Turkish lation rate of more than 70 per cent. Index-linking of wages now lags several months behind, adding to the gloomy mood.

With each year that passes, it becomes clearer that without a political settlement, the economic gap between Greek and Turkish Cypriots can only con-tinue to widen.

□ BANKING

Golden age still prevails in the commercial sector

DESPITE its small size, Cyprus has one of the most efficient and sophisticated banking systems in the world. And Cyp-riot-owned banks are already outgrowing the island, looking

There are 12 banking institutions operating on the island, most of them privately owned, while Cyprus is also the base for some 20 offshore banking

Banking services have developed considerably in recent years. Most banks now have fully computerised on-line systems, are connected to the Society for Worldwide Interbank Financial Telecommunications (Swift), offer home and telephone banking and have modern dealing rooms for foreign exchange deposits. There are automatic telling machines (ATMs) in the main towns. As far as using advanced technology, Cyprus banks are abreast of many other countries, says Mr Philip Tew, a director of Lombard NatWest Bank which although it was incorporated in 1960, started full companying care.

full commercial banking services only a year ago.

The island's location, its excellent telecommunications, air links and highly qualified labour force, make it attractive

for any international organisation, especially if it wants to do business with the eastern Med-iterranean, the Middle East and North Africa.

But with more than 450 branches and offices in the main towns, business centres and tourist resorts, offering all kinds of banking services, the domestic market looks saturated. There are also some 360 co-operative credit societies and savings banks which offer extensive services to the local population, sometimes on easier, more attractive terms.

. Even so, the "golden age" for commercial banks still prevails in Cyprus. The recession and bad debts provisions that hit many international banks have not so far affected the island. According to figures provided by the central bank, total profits of the banking sector over the period 1980-90 showed an annual average growth of 24.4 per cent. Total assets grew from about C2890m pounds to C23.5bn - an average annual growth rate of 16.6 per cent - while deposits incressed by

an annual average of 16.8 per cent and lending by about 14 per cent over the same period. Banking officials believe business in 1992 will be buoyant, especially with regard to tourism-related services such as hotels, restaurants, car hire

The short-term outlook is good. Long-term prospects depend to a great extent on Cyprus's aspiration to move

Offshore business

Tax planning and trust

Audit and accountancy

closer to the European Community. A great deal of adjustment would be needed to bring the relevant regulations into line with those of the EC and this could produce a lot of stresses and strains. Among other things, it would mean liberalisation of exchange con-trols and abolition of the 9 per

cent ceiling on interest rates. Mr Michael Shadrach, local mr Michael Shaulach, incan director of Barclays, says inter-est rates need to be deregu-lated. The 9 per cent calling set by law is an "anachronism" because it does not apply any-where else in Europe. He also care that the 7 per cent intersays that the 7 per cent inter-est on deposits set by the authorities is not adhered to by all banks and this creates unfair competition.

Even so, Barclays has expanded its operations in the past few years and now has 48 offices with more than 500 staff. It has set up several spe-cialised units including a finance corporation and an insurance division.

Competition among banks is intense, but Mr Shadrach says the real problem is "the regula-tions which do not allow banks for example, that the minimum liquidity requirement set by the central bank (averaging 30 per cent this year) is too high and restricts the banks' ability to offer more credit to custom-ers. But it is generally admit-ted that in view of the absence of any other mechanism, this is the only way the authorities can exercise monetary control

over banks. Perhaps because of these constraints, two of the leading Cypriot banks have expanded into foreign markets, opening offices in countries with sizeable Cypriot communities.

The Bank of Cyprus, the largest banking organisation on the island with a 45 per cent share of the market as far as commercial bank operations are concerned plans to set up more offices in Greece (in Piraeus this summer and in Salonika next year) after the successful launch of its branch in Athens a year go.
Mr Solon Triantafyllides,

chairman of the group, said the bank hoped to open a represen-tative office in New York this summer and was thinking of turning similar offices in Australia (Melbourne and Sydney) into fully-fledged banking units. Canada and South Africa are included in its future Meanwhile, the Bank of

Cyprus (London), with seven branches including one in Bir-mingham, is further extending its services by setting up a rep-

The group, with more rey than 250 branches and offices

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reported a 3.5 per cent rise in profits last year while Mr Triantafyllides confidently predicted much higher profits this year cause of the expected tourist boom. Group assets reached C£1.7bn, up 13 per

The Popular Bank, the second largest with some 150 offices and branches, is attempting to catch up by employing an aggressive mar-keting policy and is also reaching beyond the island. Founded 90 years ago, it moved to London and Birmingham a few years ago while recently it also set up representative offices in Australia and plans to do the same in New York.

Last December, approval was given by the Greek authorities for the setting up of the Euro-pean Popular Bank in Greece later this year. This is a joint venture by the Cyprus Popular Bank, the Hongkong & Shang hai Banking Corporation (which also has a 21.6 per cent holding in the share capital of the Cypriot bank) and a group

The local banks have set up special units to cater for offshore enterprises .

of Cypriot and Greek business-man. The Popular Bank, with a 51 per cent majority holding, will retain management of the new bank. The Honkong and Shanghal Banking Corporation participates with an 11 per cent direct holding. Mr Kikis Lassrides, the

group chief executive, said the aim of the European Popular Bank would be to expand rapstage in other BC countries. The other Cypriot Bank, Hel-lenic, with 67 branches, is introducing new schemes to attract domestic business and increase its share of the market. Earlier this month it announced its "Extra" account

under which customers with savings accounts are able to issue cheques or use a cash-card for withdrawals while enjoying a 4 per cant interes on the minimum monthly bal

ance. "We consider it a revolutionary scheme which adds to our range of banking services." said Mr Matios Clerides, of the bank's planning and marketing

Another bank offering full services on the island is the Jordan-based Arab Bank which moved to Cyprus in 1984 and which now has 16 branches mainly in Nicosia and Limas-sol, the island's southern port city where there is also a small

Mr Chris Stephani, area executive, said the bank planned further expansion, including the construction of a head office in Nicosia. He said Arab Bank had boosted its market share through an injection of foreign exchange for the financing of big tourist pro-jects and other development

chemes on the island. The local banks have set up special units to cater for the estimated 900 offshore enter-prises on the island. But they complain about "unfair compe-tition" from the co-operative credit societies which bandle about 35 per cent of total local banking business.

The co-op institutions, which have deep roots in Cyprus, especially among the rural population, accept deposits and offer loans to members especially for financing of houses, agriculture, trade and industry. They are controlled by the Co-operative Central Bank, which is also an importer and distributor of fertilisers and other agricultural items); they do not pay income tax and they are outside the control of the central bank. Total deposits with the co-op societies in 1990 exceeded C2900m while laons reached C£780m.

In addition, long-term hous-ing and other property finance is provided by the Housing Finance Corporation while medium- and long-term finance for development projects tourist sectors) is provided by the Development Bank, basically a government-owned institution which also offers feasibility studies and acts as business consultant.

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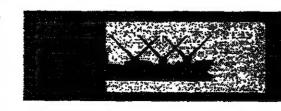
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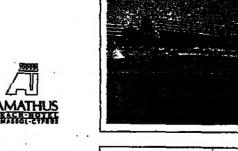
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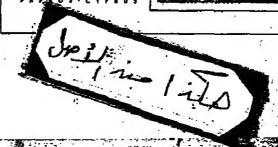
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REPUBLIC OF CYPRUS 3

growth as an offshore centre has brought a diversity of business to the republic of Cyprus, including multinational corporations, banks and shipping

The central bank issued a record 1,270 registration permits for offshore enterprises in 1991, bringing the total to more than 8,000 since 1976 when Cyprus introduced offshore incentives. While most are "brass-plate" entities - often set up to hold a wealthy individual's private assets - about 900 companies operate

full-fledged offices.

Pepsi-Cola, R.J. Reynolds,

Alico and United Distillers are among familiar names using Cyprus as a base for their regional operations. There are almost 20 offshore banking units (OBUs), among them Barclays and Banque Nationale de Paris, and more than 70 shipping companies, including leading ship managers such as Columbia and Hanseatic.

FIFTEEN years of quiet as a convenient perch for businessmen driven out of Lebanon by civil war. Then its appeal as a comfortable base for expatriate staff was discovered by the multinationals. In the past year, however, the largest number of new arrivals has been from eastern Europe, mostly companies from the breakaway Yugoslav republics

> For the sake of being close to their markets, companies are clearly prepared to discount what sets Cyprus apart from islands like Malta and Madeira, its nearest offshore competi-tors: the division of the island into Greek and Turkish Cypriot sectors separated by a UN peacekeeping force.
> "European companies proba-

bly give less weight to the Cyprus problem than the Americans. But it's still a fac-tor at the back of everyone's mind." says a banker.

ing companies, including However, Cyprus offers advantages such as relatively low wages and housing costs, Initially, Cyprus was as seen

☐ OFFSHORE COMPANIES

Tax incentives attract

skilled labour; it boasts more university graduates in propor-tion to the population than any other country in Europe.

Respectability is a word stressed by officials in charge of offshore registrations. "We're not a tax haven; we're offering tax incentives," says Mr Sophocles Michaelides of the central bank.

The difference, he says, lies in the controls exercised by the central bank. All offshore comfinancial statement every year. Those with full-fledged offices must also produce a confidential annual report detailing their current financial status. Audits are carried out by local accountants, mostly trained in fully before being allowed to set up in Cyprus. The preference is for branches or subsidlaries of "reputable" organisa-tions rather than a bank seeking incorporation on the island though, once estab-lished, the OBUs enjoy confi-

dentiality similar to that in

A new financial services bill, expected to pass in parliament later this year, is intended to give greater protection against fraud. It will empower Cypriot authorities to license and supervise offshore financial service companies, seen as a potential growth area. The other piece of legislation awaiting parliamentary approval is an international

trust bill, based on UK trust lowed at once by the introduction of cellular telephones and paging facilities. in Cyprus by non-resident investors, basing incentives on quently heard complaint from the beneficiary's country of

Tax incentives for offshore companies include paying only per cent tax on earnings and exemption from capital gains tax from share transfers in an offshore company. Expatriate employees pay income tax at half the local rate and can import new cars and household goods duty-free. Improvements in telecommunications in the past few years have helped to attract more offshore companies. The switch-over to digital exchanges and transmission systems was folHowever, the most fre-

offshore managers concerns a special 20 per cent tax levied on their telecommunications expenses. It seems unlikely to be lifted soon; the central bank says that offshore companies must expect to contribute to maintaining the high stan-

dards of relecommunications. Increased anxiety about security, a consequence of the Gulf war, has resulted in tighter controls on issuing residence permits. Owners of "brass-plate" companies are no longer entitled to residence in Cyprus. Foreigners working as domestic staff may be sent

home after two years. Both moves have provoked strong objections from Cypriot lawvers and accountants who service the offshore operations.

"We get calls from annoyed expatriates whose 'au pairs' are being refused an extension of their residence permits. It's bad for Cyprus's image," says Mr Michael Zampelas of loannou Zampelas, the local member of Coopers and Lybrand.

For the past few years, new offshore shipping and ship management companies have been opening in the port of Limassol at a rapid rate. This is in response to an energetic government campaign to attract vessels to the Cyprus registry, which is now the seventh largest in the world. More important, about 40 per cent of the 21m-tonne Cypriot fleet is managed from the island. Limassol can provide a broad range of maritime services. Fees and tonnage taxes in Cyprus are considered more competitive than in the Pan-ama and Liberia registries, especially for newer ships. The government is offering discounts on registering ships under 10 years old in an effort to bring down the average age of the fleet. That is 14 years at present, and 75 per cent of Cypriot-flag vessels are more than 10 years old.

To encourage more owners of Cyprus-registered ships to establish themselves on the island, discounts are also being offered to shipping companies using Cypriot services and

employing Cypriot crews.
The government hopes that others will follow the example of Mr Klaus Oldendorff who moved both his fleet of 20 ships and his offices to Cyprus from Germany four years ago. "After some thought, I decided it would be better to operate my ships out of Cyprus itself. It's a pleasant place to live and, with the exception of carry out almost all your busi-ness here," Mr Oldendorff says.

☐ EASTERN EUROPE

Contacts spur trade

GIVEN THAT, until recently, the Cyprus Communist Party (Akel) was assured of winning one-third of the vote in any election, it is not surprising that Greek Cypriots from all walks of life have a network of contacts in eastern Europe.
One of the ways that Akel

retained voter loyalty as the island grew wealthier was by offering scholarships to eastern European universities to bright offspring of its supportnumber of Greek Cypriots are well-placed to offer their services to local companies seek-ing opportunities in the for-mer Soviet Union and its

Some of the infrastructure is aiready in place. Cyprus is a shareholder in the European Bank for Reconstruction and Development, though its stake amounts to just 1 per cent. It has signed double taxation treaties with all the eastern European countries except Poland and Albania. There are direct flights to their capitals since Cyprus has long been a popular destination for tour-ists from eastern Europe.

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SURVEYS

Several Cypriot companies are looking for service sector niches in which to operate. "They're prepared to invest time and energy in something that might well be overlooked or dismissed by larger foreign. mpanies, even though it offers promising medium or long-term prospects," says a

organised by Ioannou Zampe-las, the local member of Coopers and Lybrand. Most of them hold senior jobs in medi-um-sized factories, struggling to make the transition from a command system to a new eco-nomic reality. Because these enterprises have training budgets, they are able to cover the cost of a seminar abroad,

cost of a seminar aproau, according to Mr Nicos Nicos Nicos of Ioannou Zampelas.

"It's much cheaper for them to come to Cyprus than go to London or Paris. It's also a

The seminars, held in English with simultaneous translation into Russian, focus on explaining essential western business techniques, from marketing and incentive schemes to cash flow inrecasts and stock level controls. Principles of banking, finance and insurance are also overed

"We thought we'd mainly be doing accounting but found a much broader approach was needed. We've grown more flexible, getting into more dis-cussion both in the seminars and during the socialising afterward," says Mr Dimitri Khenkin, the company's Russian specialist.
In the meantime, the Louis

Organisation, the largest travel agency on the island, is expanding into Russis, Poland and Bulgaria. The opening up of eastern Europe came just as Louis, which owns a chain of 30 hotels, plus three cruise ships and a catering and dutyfree operation, was starting to look for new basiness outside

Cyprus.
"It's difficult for a company but small like ours, big here but small by international standards, to go into western Europe. But we can make our mark in east-ern Europe," says Mr Stellos Killaris, the company's financial director.

Louis has signed joint ven-ture agreements to manage duty-free shops and provide catering services, both at Warforeign banker.

Over the past year, executives from Russia, Ukraine, Georgia and Kazakhstam have Georgia and Kazakhstam have two-week manalso taking over management of a 700-bed hotel complex at l, near Moscow.

In Bulgaria, Louis is cashing in on local enthusiasm for all things American by launching a fast-food restaurant in the centre of Sofia. This, it is hoped, will be the first in a chain of hamburger outlets named Americana. "Our total outlay in eastern Europe is not as much as you'd think well under \$10m." says Mr Kiliaris. Still, negotiating each deal proved a long drawn-out pro-cess, according to Mr Nicos

less initimidating place for peo-ple who've never been abroad before," he says.

The seminars, held in Also in Bulgaria, Mr Nikos

Vassiliou, a Nicosia-based technical consultant is putting together a joint venture intended to revive a plant at a large collective farm outside Sofia that produces electricity from cow manure. The fertil-iser and bio-gas installation at Podgumar state farm, completed six years ago at a cost of \$3m, was intended to be an environmental showpiece. But, according to Mr Vassilion: "It only worked for about six

months and now it's become a
pollution hazard because of
the huge build-up of slurry."

Mr Vassiliou is looking for
\$1.6m to cover reviving and
expanding the plant, partly
there the European Commun. from the European Commu-nity investment partners pro-gramme, with the remainder to be raised through supplier credits and a commercial loan.

Opportunities are there in privatisation. With a fairly small amount of capital you can turn around a semi-bank-rupt enterprise in a short time. It would take about six months for Podgumer to become profitable," Mr Vassi-liou says. At the same time, Mr Vassilion found himself running an informal employ-ment agency, finding Greek-and English-speaking Bulgar-ians for jobs available in Cyprus in hotels and factories, the two areas where the island's labour shortage is

About 600 skilled workers are now registered with Mr Vassiliou's office. After a government-led trip to Russia for Cypriot businessmen, he is also receiving applications from Pontians, ethnic Greeks from the southern republics of the former Soviet Union. "We can offer them con-

"We can other them con-tracts to fill a specific vacancy, usually for a hmited period," he says. "If their skills fit well, it can be longer. One of our successes was finding Bulgar-ian tobacco workers for the British American Tobacco fac-

CYPRUS IS closer to Baghdad than to Brussels, but that is all the more reason for Cypriots to feel strongly about joining the

European Community.
Political as much as economic considerations were behind the decision by Presi-dent George Vassiliou's internationally recognised govern-ment to seek EC membership in July 1990, on behalf of both the island's communities.

Mr Vassiliou was under strong domestic pressure to strong, domestic pressure to carry out his campaign prom-ise of two years earlier, espe-cially since the list of countries seeking membership was rapidly growing. Still, there was a marked lack of enthusiasm among larger EC member-states over the timing of the application.

Moreover, Mr Rauf Denktash, leader of the self-styled Turkish Cypriot republic in the north of the island, who was not consulted, was so annoyed at the move that he broke off official contacts with the Greek

Cypriots for months.

It was only to be expected that the de facto partition of Cyprus after 1974, resulting in increased economic disparity as the north stagnated while the south maintained a growth rate comparable with countries in south-east Asia, should loom

THE entrance to the Avagas gorge, at the base of the Akamas peninsula in western Cyprus, used to look like an early traveller's engraving: a quiet pasture dotted with juni-per and wild olive trees. But last month, the bulldozers moved in, churning up the ground for cultivation.

The Akamas is a 155 sq km wilderness with an unusual variety of bird and plant life, some of it unique to Cyprus. There are sandy beaches where the rare green turtle lays its eggs, an aromatic pine forest and dramatic cliff walks. Increasingly, it is becoming a refuge from the concrete agglomerations of hotels and holiday apartments lining

much of the coast.

It has escaped development so far because of its remoteness. One area is used as a firing range by British forces from the two sovereign bases on the island. Until recently the only other visitors were hunters, and botanists. But hunters and botanists. But mass tourism has now spread to western Cyprus. Paphos, the resort closest to the peninsula.

☐ EC MEMBERSHIP

Entry may not be so rapid

as an almost insurmountable follows developments in northobstacle to accession.

An EC working group An EC working group headed by Mr Abel Matutes, the commissioner for Mediterranean affairs, is to issue a formal opinion on the Cypriot bid for membership by the end of this year. But after the collapse last month of President George Bush's reunification initiative, it is not appropriate whether it is not even certain whether the EC officials will be wel-come in northern Cyprus. Greek Cypriot officials like

to point out that on their side of the island, per capita income is higher than in Greece and Portugal, both EC members, while the growth rate in the 1980s was well above the Community average, with inflation only now slightly higher. "If you factor in the figures

for the north, the economy still compares favourably those of Mediterranean members of EC," says an economist who

ern Cyprus.

A customs union agreement signed in 1987 with the EC provides for gradual lifting of most import duties by 1998, though some manufacturing industries will continue to be protected from the effects of European competition.

A full customs union is due

to come into effect five years later. At that time, quotas on Cypriot farm exports popular in western Europe, such as potatoes and grapes, will be removed.

The Community has long been the biggest trading part-ner for internationally recognised Cyprus, although its share of Cypriot trade overall has shown only a slow rise since the tariff agreement was introduced in 1988.

In 1990, 52.9 per cent of imports originated in the EC, while 47.4 per cent of exports

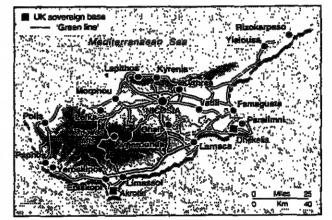
went to Community members, mainly Britain and Greece. Government planners say shore business centre, together they are structuring economic policy as if Cyprus were to join the EC later this decade. Val-ue-added tax is to be introduced on July 1, at a single-tier rate of 5 per cent, though it is forecast to rise sharply in 1993. The Cyprus pound is to be unofficially pegged to the Ecu

later this year. However, if this commitment is to be followed through, it would involve some politically wrenching decisions over lift-ing exchange controls and the 9 per cent interest rate ceiling.

with its flourishing international shipping registry, would also start to look uncertain.

On the political front, Cyprus would almost certainly have to give up its prominent position in the non-aligned movement in order to fulfil the obligations of European politi-cal union. That, if nothing else, island's well-travelled politi-cians think twice about supporting a quick entry to the

Kerin Hope



□ ECOLOGY AND THE ENVIRONMENT

Nibbling at the edges

has an international airport. Land prices have rocketed, much to the relief of villagers who feared being left out of the property boom elsewhere on the island.

declared a national park in 1989 in response to pressure from a vociferous local environmental movement little has been done since them to ensure its protection.

The park is being nibbled away at the edges, a banana grove here, a summer house there. In places like the Avagas gorge it doesn't take much to upset the ecological balance," says Mr David Pearlman of Exalt, a Paphos travel agency that takes small groups to explore the Akamas. The government is under

pressure from would-be devel-

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Akamas, among them the Orthodox church and some prominent Cynriot hashes prominent Cypriot business-men, to grant permits for building several luxury hotels. begun in a group of villages further inland which are unlikely to attract mass tour-

entalist lobby wants existing zoning regulations to be more strictly enforced until legislation is prepared to protect the area and a park management plan approved. They also want the British military to stop using the Akamas for training with

live ammunition. The environmentalists have found little support around Paphos. They are criticised by clergymen and threatened by villagers opposed to plans for agro-tourism projects, small-scale development in traditional surroundings, in a buffer zone at the edge of the park.

ism. The Laona project was launched with an Ecu100,000 (\$125,000) grant plus private sector contributions. Twenty old houses are being restored looking for a taste of tradi-tional village life.

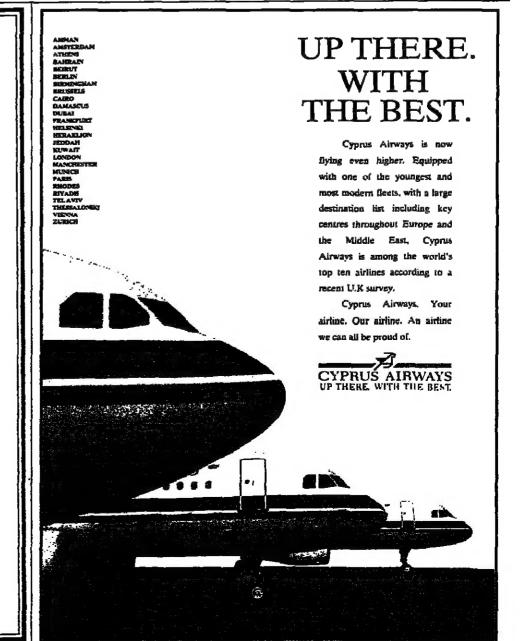
The success of a project to protect the green turtle, a threatened species, testifies to what can be achieved if the Akamas is properly looked after. Tourists are banned from Lara beach at night, the time when turtles crawl out of the sea, dig nests in the sand and lay clutches of eggs. After 15 years of surveillance during

and selective raising of hatchgroup, the numbers have started to increase. "More young females are coming back to lay at Lara, it's an encourag ing sign," says Mr Andreas netropoulos of the fisheries

A park management study for the Akamas is to be carried out next year by the Mediterra-nean Technical Assistance Programme (Metap), which is sup-ported by the UN and the World Wildlife Fund. Afterwards, Cyprus would be eligi-ble for World Bank funding for implementing it. Environmentalists worry whether it will be possible to hold off the developers for a few more years.

Kerin Hope









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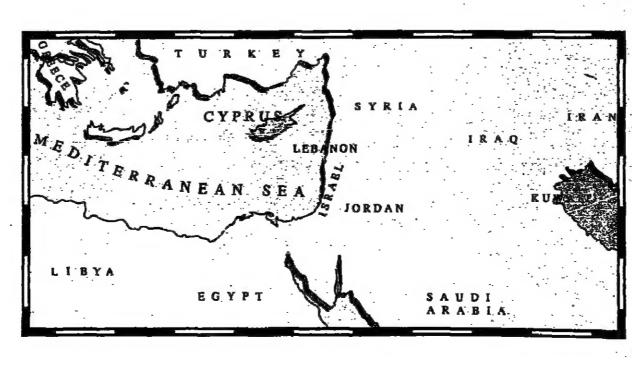
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